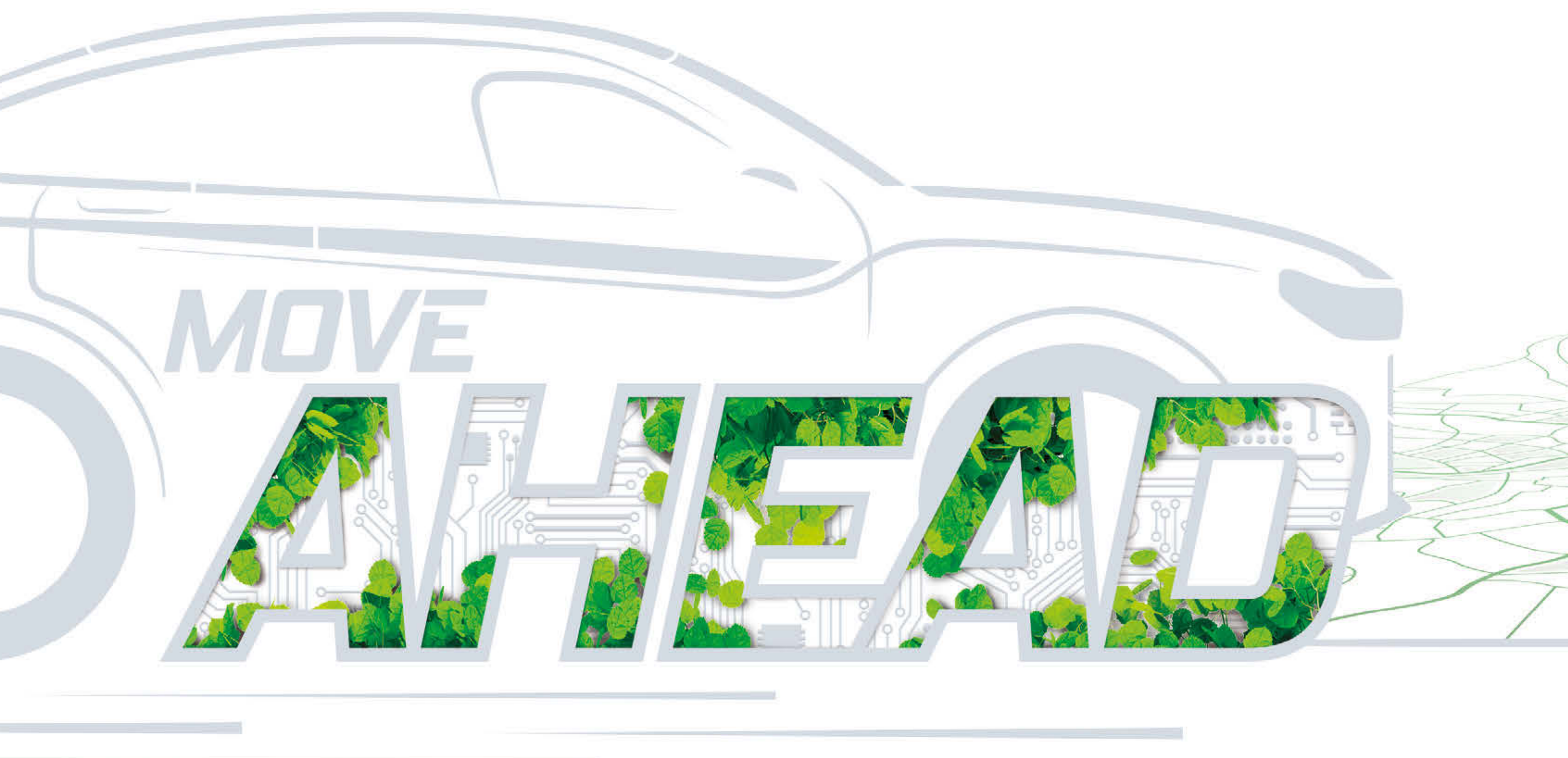
GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 0175)

ANNUAL REPORT 2019



19th Asian Games
Hangzhou 2022

GEELY AUTO

Official Prestige Partner of the 19th Asian Games Hangzhou 2022

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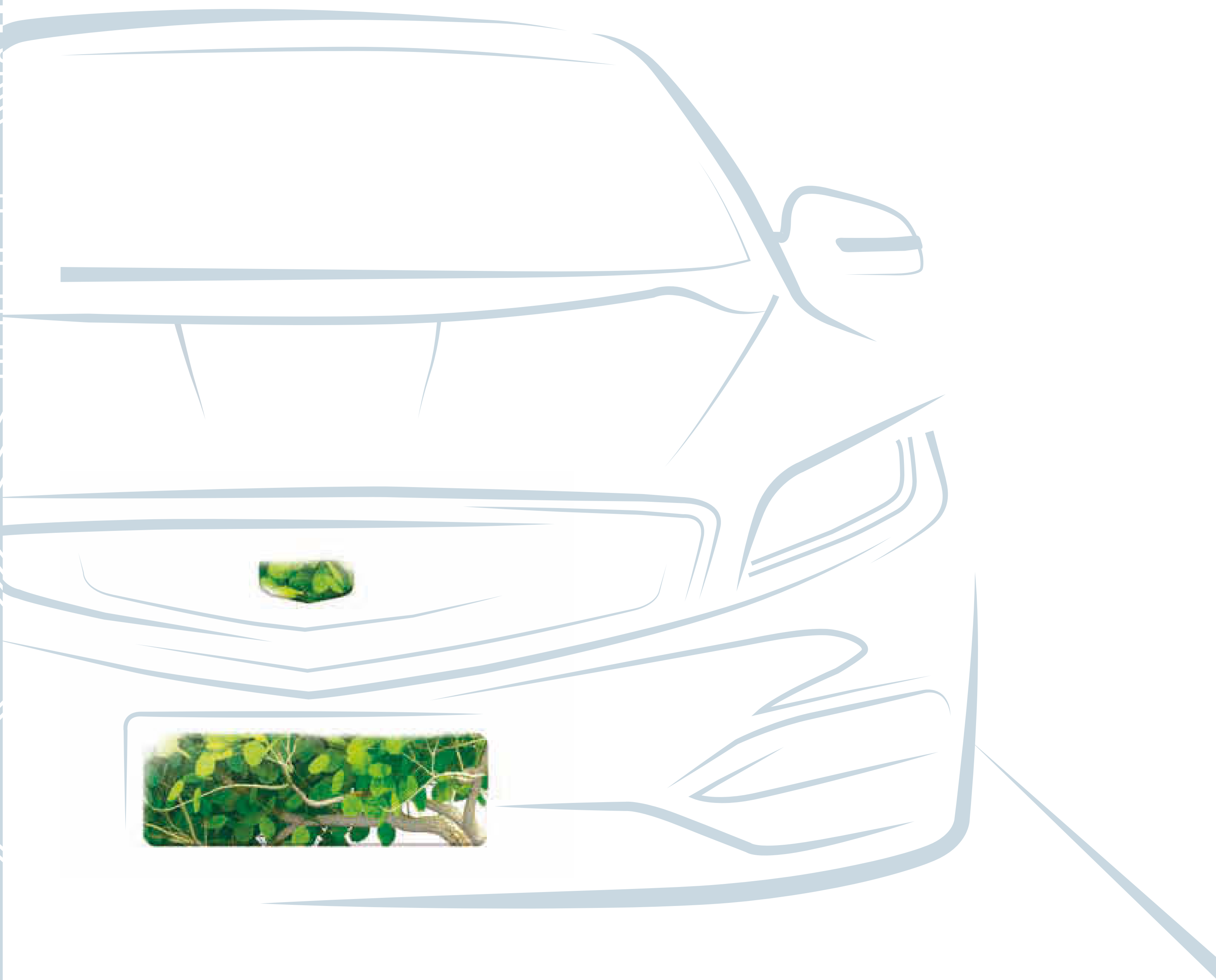
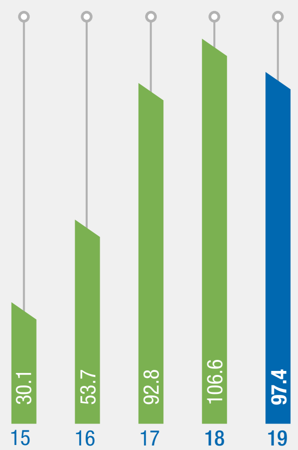
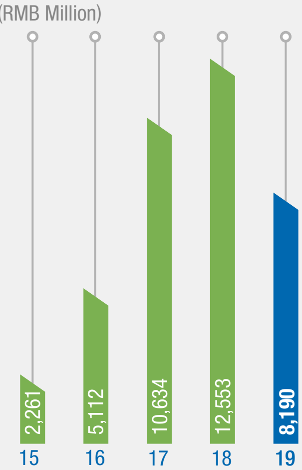


FIVE YEAR FINANCIAL SUMMARY

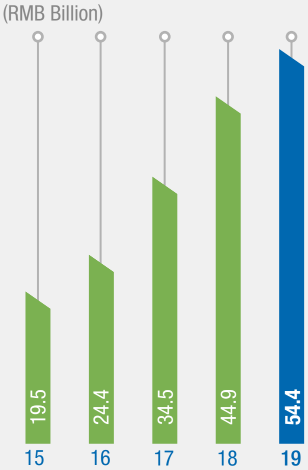
Revenue
(RMB Billion)



Profit attributable to equity holders of the Company
(RMB Million)



Equity attributable to equity holders of the Company
(RMB Billion)

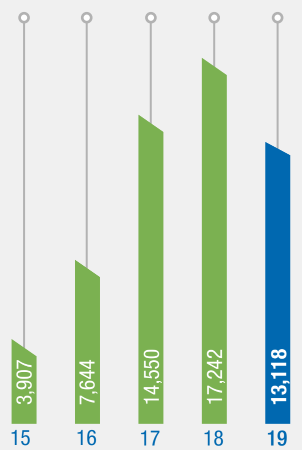


A summary of the results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

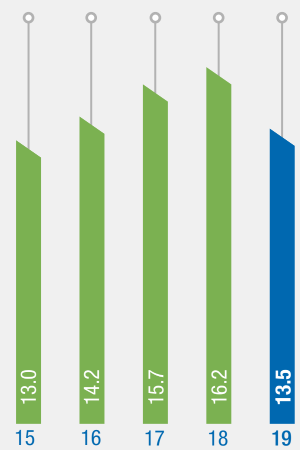
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	**97,401,248**	106,595,133	92,760,718	53,721,576	30,138,256
Profit before taxation	**9,636,268**	14,958,973	12,773,961	6,203,943	2,874,805
Taxation	**(1,374,910)**	(2,284,575)	(2,038,572)	(1,033,755)	(586,143)
Profit for the year	**8,261,358**	12,674,398	10,735,389	5,170,188	2,288,662
Attributable to:					
Equity holders of the Company	**8,189,638**	12,553,207	10,633,715	5,112,398	2,260,529
Non-controlling interests	**71,720**	121,191	101,674	57,790	28,133
	8,261,358	12,674,398	10,735,389	5,170,188	2,288,662
Assets and liabilities					
Total assets	**107,927,578**	91,460,980	84,980,752	67,582,836	42,292,460
Total liabilities	**(53,003,112)**	(46,086,262)	(50,169,918)	(42,896,587)	(22,552,937)
Total equity	**54,924,466**	45,374,718	34,810,834	24,686,249	19,739,523
Represented by:					
Equity attributable to equity holders of the Company	**54,435,626**	44,943,977	34,467,047	24,437,227	19,523,816
Non-controlling interests	**488,840**	430,741	343,787	249,022	215,707
	54,924,466	45,374,718	34,810,834	24,686,249	19,739,523

OTHER KEY FINANCIAL FIGURES

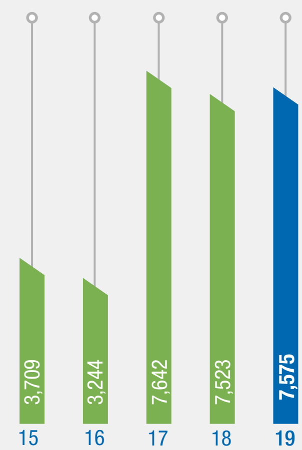
EBITDA[1]
(RMB Million)



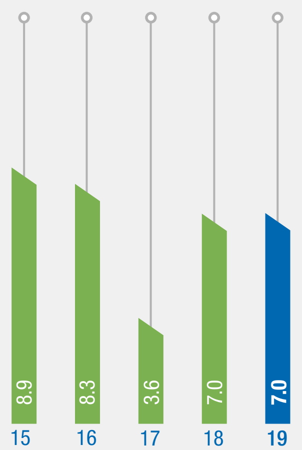
EBITDA Margin[2]
(%)



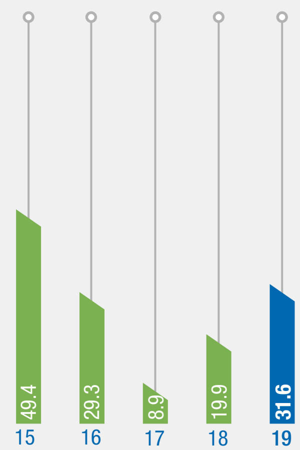
CAPEX[3]
(RMB Million)



Total debt[4]/Total capital[5]
(%)

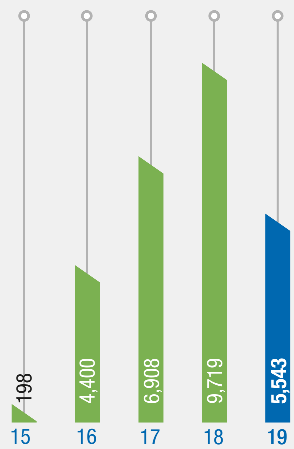


Total debt/EBITDA
(%)

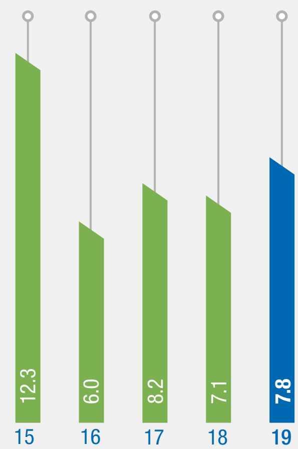


(1) EBITDA is calculated by adding taxes, depreciation and amortisation, and finance cost, excluding other income other than government subsidies to profit for the year.
(2) EBITDA margin is calculated by dividing EBITDA by revenue for the relevant year, expressed as a percentage.
(3) CAPEX includes cash outlays on additions to property, plant and equipment, intangible assets and land lease prepayments.
(4) Total debt is the sum of current and non-current borrowings, convertible bonds, bonds payables and senior notes.
(5) Total capital includes total current and non-current borrowings plus total equity.

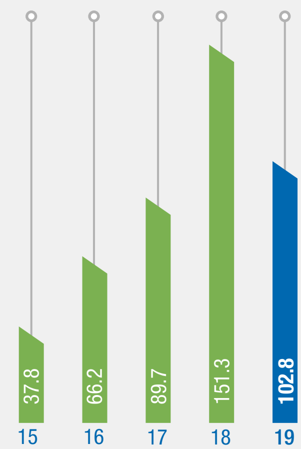
EBITDA-CAPEX
(RMB Million)



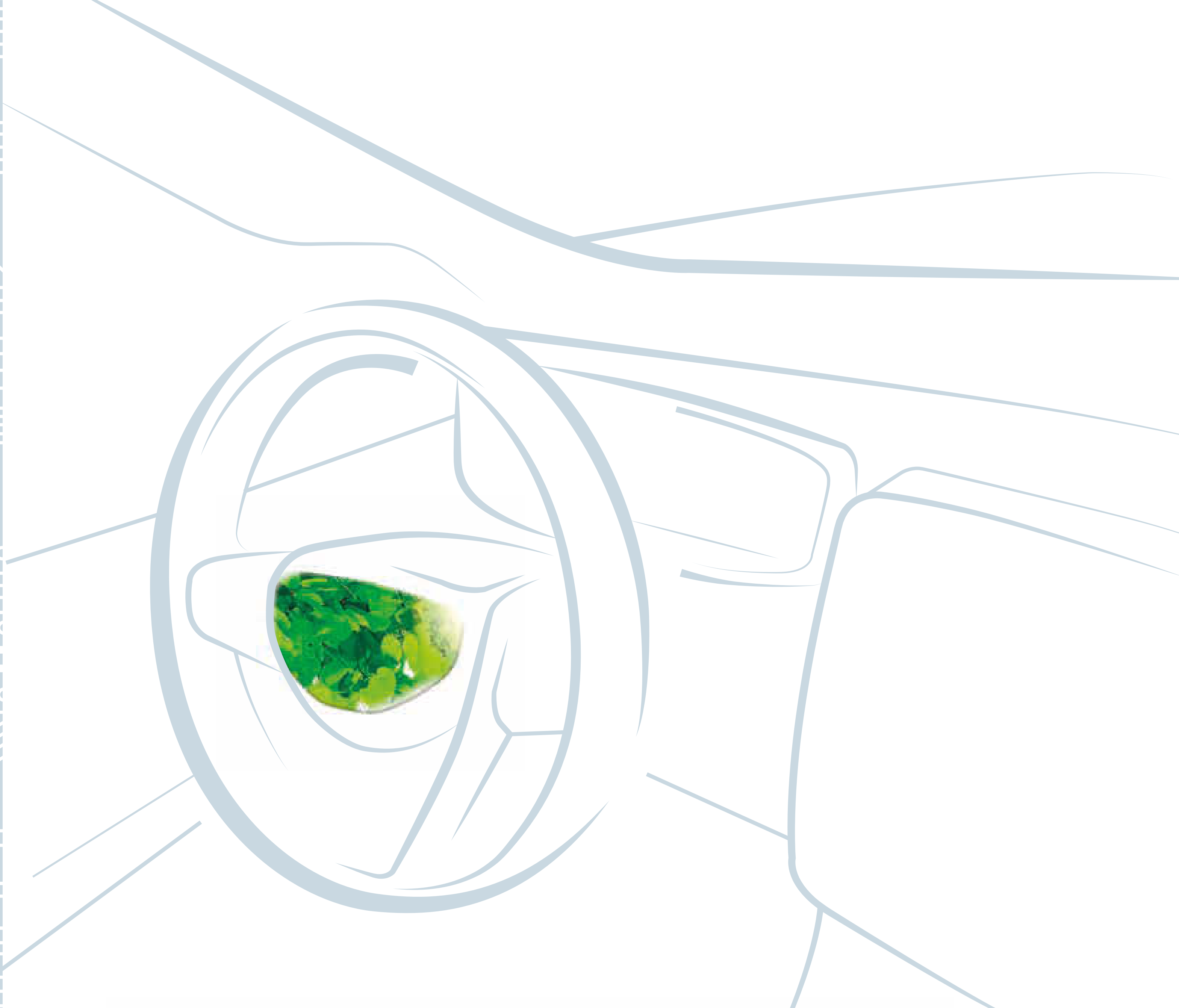
CAPEX/Revenue
(%)



EBITDA/Interest expense



	Formula	2019	2018	Change in Percentage Increase/ (Decrease)
For the year				
Revenue (RMB'000)		**97,401,248**	106,595,133	(9)
Profit attributable to equity holders of the Company (RMB'000)	(1)	**8,189,638**	12,553,207	(35)
Per share				
Basic earning per share (RMB)		**0.90**	1.40	(36)
Diluted earning per share (RMB)		**0.89**	1.37	(35)
Dividend per share (HK$)		**0.25**	0.35	(29)
Net asset value (NAV) per share (RMB)	(2)/(5)	**5.94**	5.00	19
At year end				
Equity attributable to equity holders of the Company (RMB'000)	(2)	**54,435,626**	44,943,977	21
Total assets (RMB'000)	(3)	**107,927,578**	91,460,980	18
Borrowings (including bonds payables) (RMB'000)	(4)	**4,149,195**	3,423,102	21
Number of shares in issue	(5)	**9,166,997,540**	8,981,612,540	2
Share price during the year				
– High (HK$)		**19.14**	28.75	(33)
– Low (HK$)		**10.08**	12.84	(21)
Financial ratios				
Gearing ratio = (Borrowings/Equity attributable to equity holders of the Company)	(4)/(2)	**7.6%**	7.6%	0
Return on total assets	(1)/(3)	**7.6%**	13.7%	(45)
Return on equity attributable to equity holders of the Company	(1)/(2)	**15.0%**	27.9%	(46)



EDI-TORIAL

CHAIRMAN'S STATEMENT

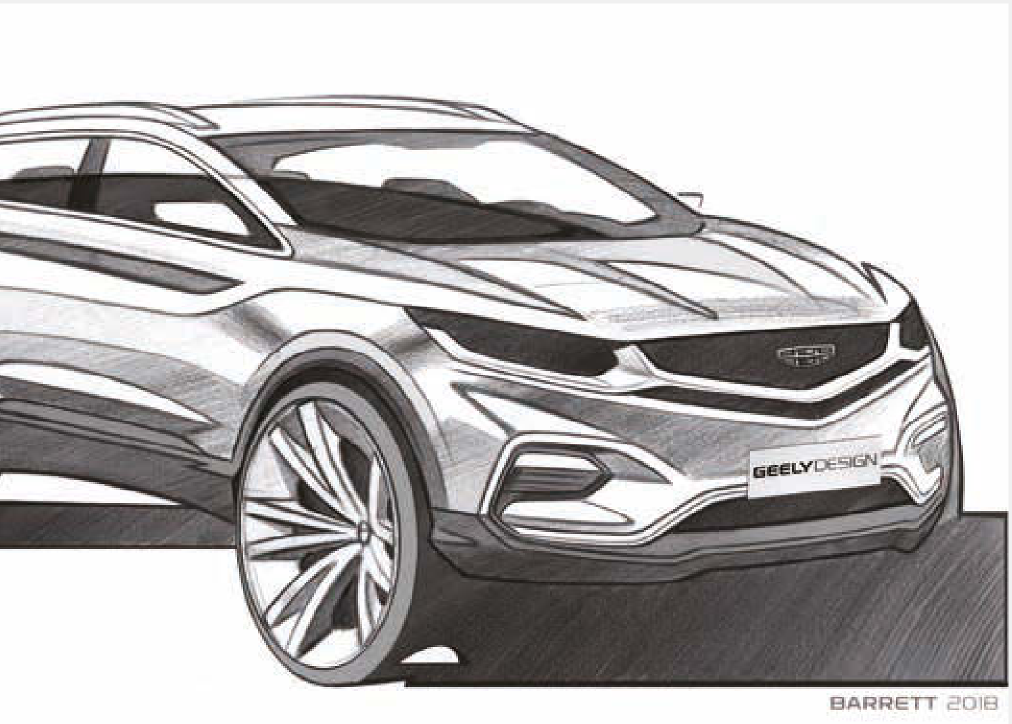
LI SHU FU
Chairman

OUR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS FOR 2019 DECREASED BY 35% FROM 2018 TO RMB8.2 BILLION, DUE TO THE GREATER-THAN-EXPECTED DECREASE IN OVERALL SALES VOLUME IN THE CHINESE VEHICLE MARKET DURING THE YEAR.

BUSINESS OVERVIEW

Weakness at China's passenger vehicle market worsened in 2019. Following a 4% decline in total sales volume in 2018, sales volume of passenger vehicles fell another 10% in 2019. The deterioration of consumer confidence in China caused by economic uncertainties arisen from trade dispute between China and the USA, the completed elimination of purchase tax subsidies for fuel efficient vehicles, plus the rush by local governments in China to speedily implement new emission standards are believed to be the key reasons for the significant decline in the passenger vehicles demand in China during the period.

Despite this, we continued to lift our retail market share and further strengthened our leading position in China's passenger vehicle segment in 2019, making us the largest indigenous brand vehicle manufacturer in China in terms of sales volume and maintaining our position as the third largest passenger vehicle brand in China. In 2019, we posted a 12% decline in domestic wholesale volume (including the sales volume of "Lynk&Co" vehicles sold by our 50%-owned joint venture) to 1,303,569 units. On the other hand, our group's export sales volume exhibited a strong rebound of 109% year-on-year ("YoY") increase to 57,991 units in 2019 as a result of the introduction of more updated products to the export markets. Overall, our group sold a total of 1,361,560 units of vehicles (including the sales volume of "Lynk&Co" vehicles sold by our 50%-owned joint venture) in 2019, down 9% from 2018. Despite the weaker-than-expected passenger vehicle demand in China throughout the year, our group's 2019 sales volume still exceeded the revised target we set in early July 2019, reflecting the improved competitiveness of the group's products.



DIVIDEND

Our board of directors recommended the payment of a final dividend of HK$0.25 (2018: HK$0.35) per share for 2019.

PROSPECTS

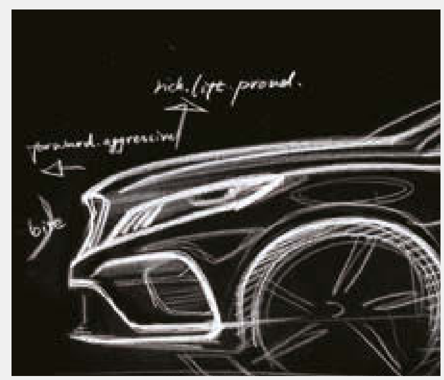
Over the next ten years, disruptive technological innovation is going to drive huge changes in global development, productivity and human life. This should trigger enormous transformation like industrial restructuring and the emergence of powerful newcomers in the global automobile industry, as well as the broader mobility industry. The next decade will also be a crucial time for the world economic development. A new round of scientific and technological revolution like artificial intelligence, big data, quantum computing, and biotech will take place and change industries, giving birth to new paradigms and business models.

FINANCIAL REVIEW

Our group's financial performance in 2019 was below the management's expectations with total revenue decreased by 9% to RMB97.4 billion for the year ended 31 December 2019. Total net profit of our group declined 35% from RMB12.7 billion in 2018 to RMB8.3 billion in 2019 due to greater-than-expected decrease in overall sales volume and pricing pressure caused by weak demand and fierce market competition during the year. After accounting for non-controlling interests, our net profit attributable to shareholders was down 35% from RMB12.6 billion in 2018 to RMB8.2 billion in 2019. Diluted earnings per share was down 35% to RMB0.89. As a result of the higher customer incentives, which offset continued product mix improvement, our group's average ex-factory selling price ("ASP") was about the same level as compared to the corresponding period last year. During the year, our manufacturing operations continued to generate good operational cash inflow, plus the issue of US$500 million senior perpetual capital securities in December 2019, our group's total cash level (bank balances and cash + pledged bank deposits) increased further by 23% to RMB19.3 billion at the end of 2019.

During 2020, we plan to continue driving our globalization ambition and strategy. Even though this will mean greater challenges, but it will also create greater opportunities for the group. To maintain our presence and to sustain growth, the group needs to act proactively to capture the opportunities created by the current trend of electrification, autonomous driving, connectivity and shared mobility. Through strategic collaboration with partners around the world together with stronger technological edges through business synergy and technology and resources sharing, the group is moving to build a global industrial value chain that could integrate on-line and off-line platform to provide customers with highly competitive and intelligent mobility services. Our aim is to transform and develop the group into a highly innovative global technology group with international competitiveness.

Given our tremendous achievement in enriching our products portfolio, gaining significant market share and enhancing customer satisfaction in the China market over the past few years and the successful launch of our new “Lynk&Co” brand and thus initial success in penetrating the higher end passenger vehicle market in China, I firmly believe that the group is on the track to achieve our ultimate goal of the best customer satisfaction. This should allow us to sustain our growth and continue to provide good return to our shareholders in the years ahead. Finally, I would like

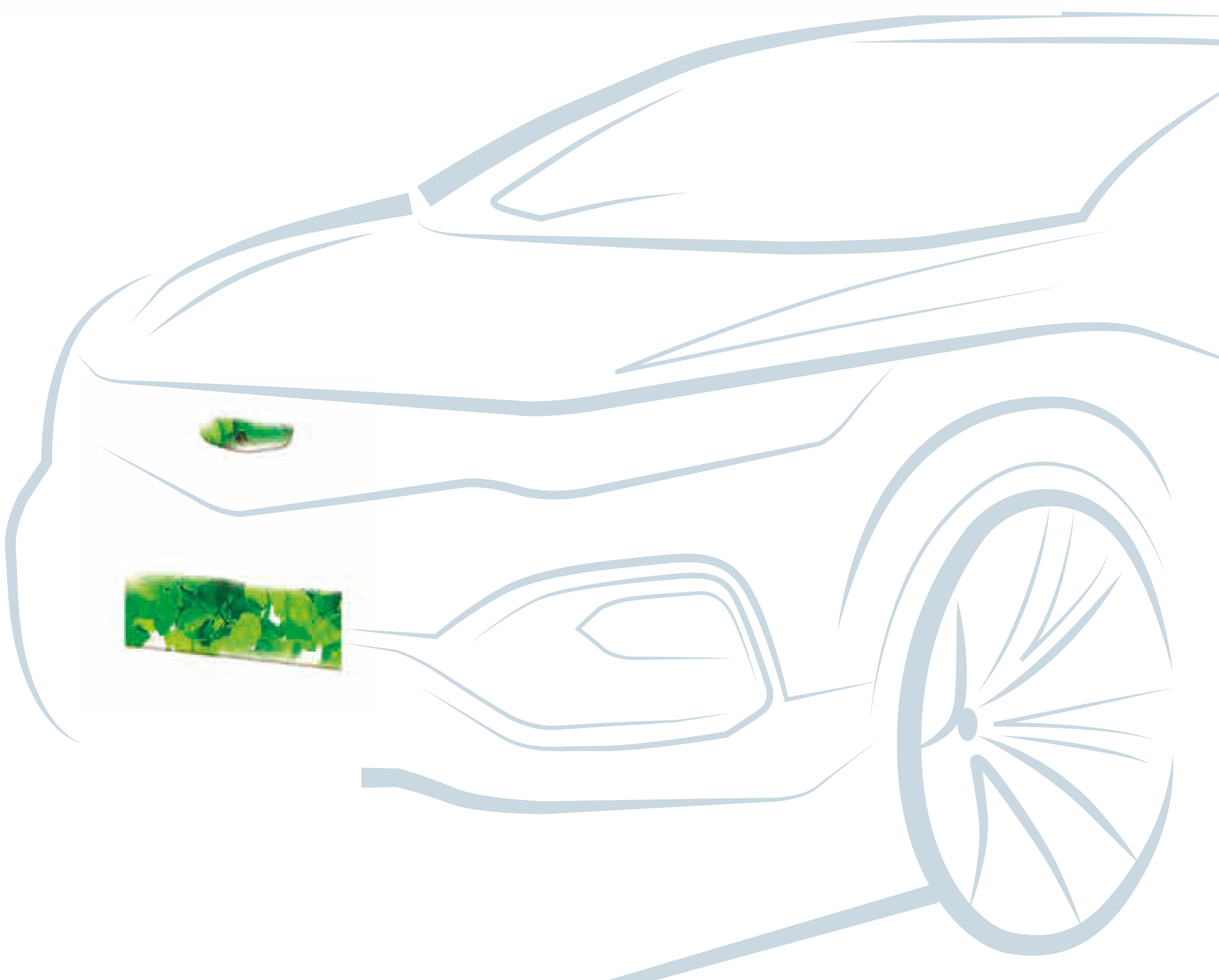


to pay tribute to all our staff for their hard work and achievements and to our shareholders for their continued support during the year.

Li Shu Fu
Chairman
30 March 2020

MD&A

MANAGEMENT REPORT



PERFORMANCE & GOVERNANCE

OVERALL PERFORMANCE

The overall performance of Geely Automobile Holdings Limited (the “Company”, together with its subsidiaries, collectively the “Group”) was below the management’s expectation in 2019. As a result of the weak demand for passenger vehicles in China in 2019, the Group’s sales volume in the China market was down 12% from 2018, compared with 10% year-on-year (“YoY”) decline in the overall China’s passenger vehicle market in 2019 according to China Association of Automobile Manufacturers (“CAAM”). As a result of the Group’s introduction of more updated products to the export markets, the export sales volume of the Group increased significantly by 109% YoY to 57,991 units in 2019, compared with 4% YoY decline of China’s overall vehicle exports according to CAAM. Overall, the Group sold a total of 1,361,560 units of vehicles (including the sales volume of “Lynk&Co” vehicles sold by the Group’s 50%-owned joint venture, namely 領克投資有限公司 (Lynk&Co Investment Co., Ltd. or “Lynk&Co JV”)) in 2019, down 9% from 2018, and exceeding the revised sales volume target of 1,360,000 units set in early July 2019. Total revenue decreased by 9% to RMB97.4 billion in 2019. Gross margin ratio was also affected by higher discounts and incentives to dealers during the year. The selling and distribution expenses during the year were kept at relatively high levels to maintain the competitiveness of the Group’s products in a stagnant market. The 36% increase in administrative expenses during the year was primarily attributable to the increase in total expenses in relation to the research and development activities (as detailed below). As a result, the Group’s profit attributable to the equity holders decreased by 35% YoY to RMB8.2 billion in 2019. Diluted earnings per share (“EPS”) was down 35% to RMB0.89. In 2019, government grants and subsidies were down 15% to RMB0.85 billion from 2018. The government grants and subsidies during the year were mainly cash subsidies from the governments in respect of the Group’s operating and research and development activities.

ACQUISITION OF 義烏吉利動力總成有限公司 (YIWU GEELY POWERTRAIN COMPANY LIMITED)

On 29 April 2019, 浙江吉利動力總成有限公司 (Zhejiang Geely Powertrain Company Limited, or “Zhejiang Powertrain”), an indirect 99% owned subsidiary of the Company, entered into an acquisition agreement with 義烏吉利發動機有限公司 (Yiwu Geely Engine Company Limited, or “Yiwu Engine”), a wholly owned subsidiary of 浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited or “Zhejiang Geely”), which in turn is owned as to (i) 71.05% by 浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited or “Geely Holding”, and together with its subsidiaries, the “Geely Holding Group”), a company beneficially wholly owned by Mr. Li Shu Fu (“Mr. Li” who is the chairman and the substantial shareholder of the Company) and his associate; and (ii) 28.95% by other Mr. Li’s interested entities. Pursuant to the agreement, Zhejiang Powertrain greed to acquire, and Yiwu Engine agreed to sell, the entire registered capital of 義烏吉利動力總成有限公司 (Yiwu Geely Powertrain Company Limited or “YW Geely”), for a cash consideration of around RMB322.2 million.

The consideration for the acquisition of YW Geely was determined after arm's length negotiations between Zhejiang Powertrain and Yiwu Engine with reference to (i) the net asset value of the YW Geely prepared under the Hong Kong Financial Reporting Standards ("HKFRS") as at 31 March 2019 of around RMB322.0 million; and (ii) the valuation premium of the properties entitled to YW Geely (the "YW Properties") of RMB0.2 million, being the difference between (a) the YW Geely's Properties Value of approximately RMB293.0 million; and (b) the carrying value of the YW Properties of approximately RMB292.8 million as at 31 March 2019. On 10 June 2019, the acquisition had been duly approved by the independent shareholders of the Company at the extraordinary general meeting and the acquisition had been subsequently completed by end of July 2019. Upon completion of the acquisition, the YW Geely becomes an indirect subsidiary of the Company and its financial results are consolidated into the financial statements of the Group.

Upon completion of the acquisition, the vehicle engines to be manufactured by the YW Geely will be used in the Group's top-end vehicle models and will also be sold to the Geely Holding Group for use in the Volvo-branded vehicles and to the Lynk&Co Group for use in the "Lynk&Co" vehicles. The vehicle engines to be manufactured by the YW Geely will possess superior performance in terms of power output and fuel consumption as well as characteristics of low carbon emission, which are targeted to meet the needs of the Group, the Lynk&Co Group and the Geely Holding Group for high performance and multi-functional vehicles.

FORMATION OF JOINT VENTURE WITH LG CHEM TO ENGAGE IN THE PRODUCTION AND SALES OF BATTERIES FOR ELECTRIC VEHICLES

On 12 June 2019, 上海華普國潤汽車有限公司 (Shanghai Maple Guorun Automobile Company Limited, or "Shanghai Maple Guorun"), an indirect 99% owned subsidiary of the Company, entered into a joint venture agreement with LG Chem Ltd. ("LG Chem"), a company incorporated in South Korea with limited liability, the shares of which are listed on the Korean Stock Exchange (stock code: 051910). Pursuant to the joint venture agreement, the parties agreed to establish a joint venture company ("JV Company") to principally engage in the production and sales of batteries for EVs. The JV Company is 50:50 owned by Shanghai Maple Guorun and LG Chem. The registered capital of the JV Company will be US$188,000,000, and will be contributed as to 50% and 50% by Shanghai Maple Guorun and LG Chem, respectively.

As unanimous resolution of all directors of the JV Company for certain key corporate matters, including, among others, the amendment to the articles of association of the JV Company, dissolution, increase or reduction of the registered capital, is needed, the JV Company is a joint venture company of the Group and its financial results will be accounted for in the consolidated financial statements of the Group using the equity method.

The establishment of the JV Company will leverage on the strength, resources and expertise of both parties in the manufacturing of batteries for new energy vehicles in the PRC, which in turn will ensure a stable supply of the EV batteries to the Group in the future.

GEP3 ENGINE LICENSING AGREEMENT

On 26 November 2019, the Company entered into the GEP3 Licensing Agreement with Geely Holding pursuant to which the Group agreed to license to the Geely Holding Group the intellectual properties ("Intellectual Properties") for the design, development, manufacture, sale, marketing and distribution of the Licensed Engine (or GEP3 engine, a three-cylinder turbo-charged engine developed by the Group) and related parts and components within the licensed regions during the licensed period. Pursuant to the GEP3 Licensing Agreement, Geely Holding is permitted to sub-license the Intellectual Properties only to Proton Holdings Berhad, a 49.9% owned associate of Geely Holding Group, and its subsidiaries (collectively the "Proton Group") for the aforesaid purposes during the licensed period.

The total license fee for the Intellectual Properties is RMB300 million, which will be settled by Geely Holding in five equal annual instalments over the course of five years from the date on which the licensed period commences.

DISPOSAL OF 濟南吉利汽車有限公司 (JINAN GEELY AUTOMOBILE COMPANY LIMITED)

On 26 November 2019, 浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited or "Jirun Automobile") and Shanghai Maple Guorun, both of which are indirect 99% owned subsidiaries of the Company, entered into a disposal agreement with 浙江吉利汽車實業有限公司 (Zhejiang Geely Automobile Industry Company Limited or "Geely Industry"), pursuant to which (i) Jirun Automobile agreed to sell 90% of the registered capital of the 濟南吉利汽車有限公司 (Jinan Geely Automobile Company Limited or "Jinan Geely"); (ii) Shanghai Maple Guorun agreed to sell 10% of the registered capital of the Jinan Geely; and (iii) Geely Industry agreed to acquire the entire registered capital of the Jinan Geely for a cash consideration of approximately RMB507.1 million.

The consideration for the disposal was determined after arm's length negotiations among Jirun Automobile, Shanghai Maple Guorun and Geely Industry with reference to the market value of the net assets of the Jinan Geely Group as stated in the valuation report prepared based on asset-based approach. The market value of the Jinan Geely Group consists of (i) carrying value of the net assets of the Jinan Geely Group prepared under the HKFRS as at 30 September 2019 of approximately RMB341.5 million; (ii) the valuation premium of the Jinan Geely Group's properties of approximately RMB170.9 million, being the difference between the Jinan Geely Group's properties value of RMB584.3 million and the carrying value of the Jinan Geely Group's properties of approximately RMB413.4 million as at 30 September 2019; and (iii) the net valuation impairment of other fixed assets held by the Jinan Geely Group of approximately RMB5.3 million.

Following the completion of the disposal, the Company will no longer be interested in the Jinan Geely Group, and the Company will record a gain on the disposal of approximately RMB183 million.

ISSUANCE OF US$500 MILLION 4% SENIOR PERPETUAL CAPITAL SECURITIES

On 9 December 2019, the Company issued 4% senior perpetual capital securities with an aggregate principal amount of US$500,000,000 (equivalent to approximately RMB3,425,857,000) (the "Securities") which are listed on Singapore Exchange Securities Trading Limited at an issue price of 99.641%. Distribution is payable semi-annually in arrears in equal instalments on 9 June and 9 December of each year based on the distribution rate as defined in the subscription agreement. Distribution by the Company may be deferred at its sole discretion.

As at the date of this report, the gross proceeds of the Securities have been partially utilised as below:

	RMB'000
Transaction costs for the issue of Securities	**12,755**

FINANCIAL RESOURCES

Total capital expenditures (excluding acquisition through business combination) on property, plant and equipment, intangible assets (i.e. capitalised product development costs) and land lease prepayments for the Group amounted to RMB7.6 billion in 2019, which was within the budgeted amount of RMB11.6 billion fixed at the beginning of the year. Working capital (inventories + trade and other receivables – trade and other payables) decreased by about RMB2,463 million to deficit RMB16,939 million at the end of 2019. If excluding the working capital effects from the acquisition through business combination and the disposal of subsidiaries, the working capital increased by RMB2.0 billion in 2019. Further, as a result of the good operational cash inflow from the Group's manufacturing operations and the issuance of the Company's US$500 million senior perpetual capital securities, the group's total cash level (bank balances and cash + pledged bank deposits) increased by 23% YoY to RMB19.3 billion at the end of 2019. The Group's total borrowings (included bank borrowings and bonds payables) also increased by 21% to RMB4.1 billion. Despite this, interest expense increased to a lesser extent in 2019 due to lower funding cost helped by improved credit ratings and move to restructure debt to longer duration during the year. At the end of 2019, the financial position of the Group remained strong with net cash on hand (total cash level – borrowings – perpetual capital securities) of RMB11.8 billion versus a net cash level of RMB10.6 billion six months ago. At the end of 2019, the Group's total borrowings were solely denominated in US$, which aligned with the currency mix of the Group's revenues from export business. In addition, net notes receivables (notes receivables – notes payables) at the end of 2019 amounted to RMB15.0 billion, which could provide the Group with additional cash reserves when needed through discounting the notes receivables with the banks.

The Group has been assigned credit ratings from both Standard & Poor's Ratings Services and Moody's Investors Service. Standard & Poor's corporate credit rating on the Group is currently "BBB-/Stable" and such rating has been placed on "creditwatch negative" since 3 April 2020 due to challenging industry conditions. On 5 June 2019, Moody's Investors Service upgraded the Group's credit rating to "Baa3/Stable" issuer rating. The rating has been put as "Review for Downgrade/ Rating under Review" since 26 March 2020 due to coronavirus outbreak.

Budgeted capital expenditures (excluding acquisitions through business combinations) of the Group amount to about RMB6.8 billion in 2020, including the funding for the research and development of new vehicle platforms and models and the financing of the expansion and upgrading of production facilities at existing plants. As at the date of this report, the Company has no definite plan or schedule on raising funds in the international capital market.

RESEARCH AND DEVELOPMENT

During the year ended 31 December 2019, the Group recognised a total expense of RMB3,067 million (2018: RMB1,926 million) in relation to its research and development activities and such expense was included in "Administrative expenses" in the consolidated income statement.

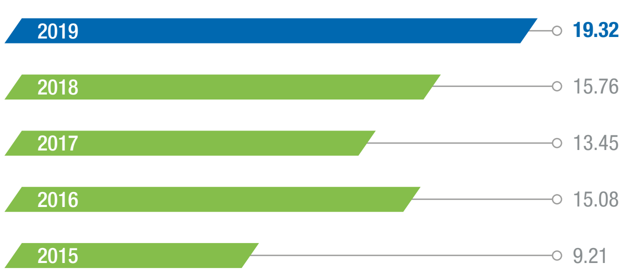
Further details were illustrated in the table below:

	2019 RMB('000)	2018 RMB('000)	YoY change (%)
Amortisation of intangible assets (i.e. capitalised product development costs)	**2,216,685**	1,377,705	61
Research and development costs (i.e. not qualified for capitalisation)	**850,468**	548,653	55
Total research and development costs charged to profit or loss	***3,067,153***	*1,926,358*	*59*

In 2019, the increase in capitalised product development costs of RMB4.6 billion, included in the intangible assets of the consolidated statement of financial position, is primarily related to vehicle model development. The remaining is for the development of powertrain and new energy vehicle technologies.

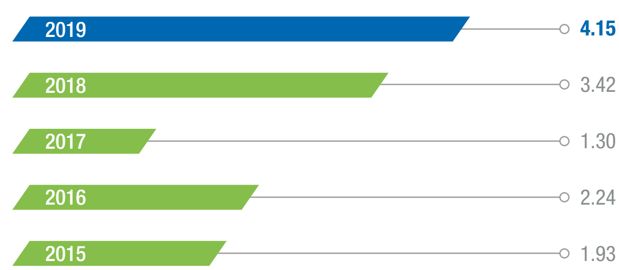
Cash and Bank Balances (Including Pledged Bank Deposits)

RMB Billion
(At 31 December)



Total Borrowings (Including Bonds Payables/ Senior Notes but excluding Convertible Bonds and Perpetual Capital Securities)

RMB Billion
(At 31 December)



VEHICLE MANUFACTURING

The Group sold a total of 1,361,560 units of vehicles (including the sales volume of "Lynk&Co" vehicles sold by its 50%-owned joint venture, namely the Lynk&Co JV) in 2019, down 9% from 2018. In 2019, the Group's sales volume of sedans and SUV slid 18% and 6% YoY to 530,123 units and 799,763 units, respectively. In March 2019, the Group launched its first multi-purpose vehicle ("MPV") model "Jiaji". A total of 31,674 units of "Jiaji" MPVs were sold during the year.

As a result of large scale de-inventory at the Group's dealers during the year to prepare for the persistent weakness in China's passenger vehicle market, the Group's domestic wholesale volume posted a decline of 12% in 2019 to 1,303,569 units, compared to the 9.6% decline of China's passenger vehicle market during the year. According to the CAAM, the Group's wholesale market share in China's passenger vehicle market was stable in 2019. In terms of 2019 sales volume, the Group ranked number 4 amongst the top ten passenger vehicle manufacturers in China. However, the retail sales volume of the Group's products was significantly higher than their wholesale volume during the year, reflecting the continued strong underlying demand for the Group's products. Export sales volume of the Group increased by 109% to 57,991 units in 2019 and accounted for 4.3% of the Group's total sales volume during the year. The Group's share of China's total export of passenger vehicles increased from 3.7% in 2018 to 8.0% in 2019 according to the CAAM.

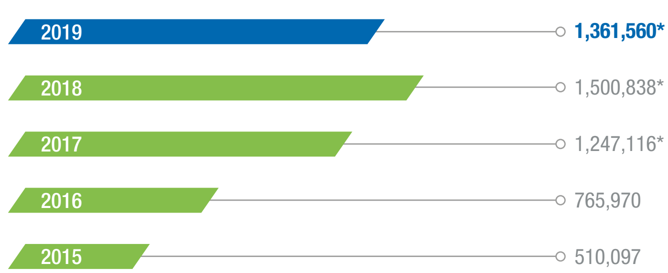
The Group maintained its leading position in indigenous brand vehicle manufacturers in China during the year. In terms of 2019 sales volume, the Group ranked number 5 amongst China's top sedan manufacturers. In China's SUV market, the Group's ranking rose further in 2019. In terms of annual sales volume, the Group moved from number 4 in 2018 to number 2 amongst China's top SUV manufacturers in 2019.

The Group's average ex-factory selling price in 2019 was about the same level as compared to the corresponding period last year.

In 2019, the Group further strengthened its sales and marketing system in China, enabling it to provide better sales and after-sale services to its customers. The Group's products are currently sold under the "Geely" brand, "Geometry" brand (through an independent distribution channel) and the "Lynk&Co" brand (through an independent distribution channel under the Lynk&Co JV), targeting at different market segments. "Geely" brand is the Group's main stream mass market brand, "Geometry" brand is the Group's pure electric brand, whereas "Lynk&Co" is a joint-venture brand between the Group and Volvo Car Corporation ("VCC"), which is majority-owned by Geely Holding, targeting at global premium market. By the end of 2019, the Group had more than 969 dealers in China, marketing Geely brand vehicles. The "Geometry" brand was launched early this year with 163 dealers in China. The Lynk&Co JV adopted a different marketing and distribution system in China. It served its customers via 263 Lynk&Co Centres and 21 Lynk&Co Spaces in China.

Annual Sales Volume

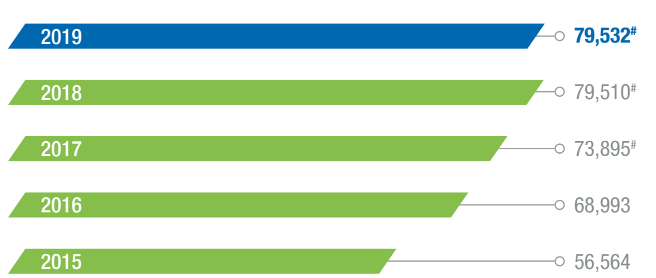
Unit



*: Including the sales volume of "Lynk&Co" vehicles

Average Pre-tax Ex-Factory Prices

(RMB)



#: Including the sales volume of "Lynk&Co" vehicles

EXISTING PRODUCTION FACILITIES

Name	Interests	Usable Annual Production Capacity *(Units Per Double Shift)*	Models
Luqiao plant	99.0%	150,000	Vision X3
Ningbo/Cixi plants	99.0%	300,000	New Emgrand, Emgrand EV, Emgrand PHEV Vision S1 Binrui
Chunxiao plant	99.0%	200,000	Geely Borui, Borui GE MHEV Geely Boyue
Xiangtan plant	99.0%	240,000	Vision Series Binyue, Binyue PHEV
Chengdu plant	99.0%	130,000	Vision SUV, Emgrand EV
Baoji plant	99.0%	200,000	Geely Boyue
Linhai plant	99.0%	300,000	Emgrand GL, Emgrand GL PHEV Emgrand GS
Jinzhong plant	99.0%	180,000	Emgrand GS, Emgrand GSe Emgrand EV, Emgrand PHEV, Geometry A
Dajiangdong plant	99.0%	100,000	Geometry A
Hangzhou Bay DMA plant	99.0%	150,000	Xingyue, Xingyue PHEV
Guiyang plant	99.0%	150,000	Jiaji, Jiaji PHEV
Total		2,100,000	

NEW ENERGY VEHICLES STRATEGY

The Group began the implementation of its New Energy Vehicle ("NEV") strategy namely "Blue Geely Initiatives" in November 2015. "Blue Geely Initiatives" is a 5-year campaign demonstrating the Group's dedication in transforming into the industry leader in NEV technologies. The initiatives' target is to ensure that up to 90% of the Group's total sales volume could be in the form of new energy and electrified vehicles ("NEEVs"), which include the electric vehicles ("EVs"), battery electric vehicles ("BEVs"), hybrid electric vehicles ("HEVs"), mild hybrid electric vehicles ("MHEVs") and plug-in hybrid electric vehicles ("PHEVs") by 2020.

Following the commercial launch of the Group's first electric vehicle model: "Emgrand EV" in 2015, the Group had introduced more NEEV models in the past few years to offer more choices of NEEV for Chinese customers. These NEEV models have so far achieved good customer satisfaction in China in terms of their quality and performance. This should help to put the Group in a good position to achieve the ambitious target set under the "Blue Geely Initiatives". In 2019, the Group sold a total of 113,067 units of NEEV models (including the sales volume sold by the Lynk&Co JV), up 69% from 2018.

The Group's sales volume of NEEVs only accounted for 8.3% of its total sales volume in 2019 compared with only 4.5% in 2018 as NEEV versions were only available in some of the Group's major vehicle models. With the launches of more NEEV models in 2020 and the expected promulgation of additional government policies to promote the use of NEEVs in China, it is expected the sales of NEEVs will account for a much higher proportion of our total sales volume in the coming few years.

NEW PRODUCTS

In 2020, the Group's focus is to further supplement its existing product portfolio with new products in SUV segments, aiming to ensure that all the major segments in China's passenger vehicle market would be fully covered by the Group's product portfolio. Further, the Group also plans to significantly increase its new model offerings in the new energy sector, adding MHEV, PHEV and BEV models for all its major existing models, and launching brand new NEEV models to tailor for needs from Chinese customers. For other brand new models of the Group, new energy version will be offered at the same time as the ICE ("Internal Combustion Engine") version. Meanwhile, the Group will upgrade its existing powertrain (mainly engines and transmissions) with a new generation of powertrain jointly developed between the Group and VCC. According to the Group's preliminary plan, the following new models are expected to be offered to the market in 2020:

Under the "Geely" brand:

- "Icon" compact SUV model;
- "Haoyue" full size SUV model; and
- A compact sedan model.

Under the "Geometry" brand:

- A brand new electrified SUV model.

Under the "Lynk&Co" brand:

- Two brand new compact and sporty SUV models.

GENIUS AFC

Genius Auto Finance Company Limited ("Genius AFC"), the Group's 80%-owned vehicle financing joint-venture formed with BNP Paribas Personal Finance, commenced operation since September 2015. Genius AFC's registered capital increased from RMB2 billion to RMB4 billion in 2019. Located in Shanghai, Genius AFC is principally engaged in the provision of auto wholesales financing solutions to auto dealers and retail financing solutions to end customers, mainly supporting three key auto brands in Geely Holding Group, including "Geely", "Lynk&Co" and "Volvo Car". Despite the stagnant sales performance for vehicles in China, Genius AFC's auto finance business continued to enjoy strong YoY growth of 49% in new retail financing contracts numbers, with its total outstanding loan assets increased from RMB19.26 billion at the end of year 2018 to RMB31.59 billion at the end of year 2019. With a healthy level of interest rate spread and a negligibly low default rate as a result of enhanced sales management and effective risk control, Genius AFC achieved good earnings performance with its net profit increasing 135% YoY to RMB509.09 million during the year.

Despite increasing competitions from other financial institutions like commercial banks and financial leasing companies and the slowdown in vehicle demand in China, Genius AFC still achieved its annual target for 2019 by actively managing funding costs and expanding into new business areas. During the year, Genius AFC secured more external funds through various means like syndicated loans, bilateral bank facilities, and asset-backed security ("ABS"). By the end of 2019, Genius AFC successfully launched five ABS issuances with cumulative amount of RMB17 billion, successfully improving its funding structure. In 2019, Genius AFC developed new business model including financing solutions for fleet customers and financing for end customers of vehicles from external third party brands to create additional opportunities for growth.

LYNK&CO JV

Lynk&Co JV, the Group's 50%-owned joint venture with VCC and Geely Holding, was incorporated in October 2017 to facilitate the development, manufacture, sales and servicing of high-end passenger vehicles in both the China and international markets under the "Lynk&Co" brand. Positioned as a global brand with the state-of-the-art design and manufacturing capabilities, Lynk&Co JV aims to target at the premium mobility market segment globally through the provision of both passenger vehicles and mobility services. The innovative business model of Lynk&Co JV is supported by new vehicle models developed from Compact Modular Architecture ("CMA"), which is jointly developed by Geely Holding and VCC and licensed to the Lynk&Co JV.

During the year, Lynk&Co JV recorded a total sales volume of 128,066 units and posted a net profit of RMB485.87 million. In view of Chinese consumers' current preference over physical dealer shops to support sales and services, Lynk&Co JV has so far set up a dealer network with over 263 stores called "Lynk&Co Centres" and 21 display and customer service centres called "Lynk&Co Spaces" in China.

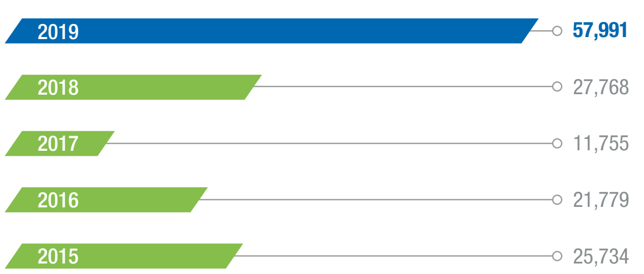
EXPORTS

The Group's export business continued to exhibit a strong growth in 2019. This was mainly supported by the Group's introduction of more updated products to the exports markets. The Group exported 57,991 units of vehicles in 2019, up 109% from 2018. Despite this, exports only accounted for 4.3% of the Group's total sales volume during the year. The Group's share of China's total exports of passenger vehicles increased from 3.7% in 2018 to 8.0% in 2019 according to the CAAM.

Developing countries in the Asia, Eastern Europe and Middle East were the most important export markets of the Group in 2019. In addition to export of vehicles from China, the Group also assembles some models sold overseas using contract manufacturing arrangements with local partners. At the end of 2019, the Group exported its products to 17 countries through 17 sales agents and 327 sales and service outlets.

Export Sales Volume

(Unit)



OUTLOOK

The prevailing political and economic uncertainties should continue to affect the passenger vehicle demand in China. The recent outbreak of novel coronavirus had caused serious disruption to our supply chain and thus our production levels, meaning additional pressure on our business volume and profitability in 2020. The current headwind is expected to persist in the near future, making 2020 probably amongst the most difficult year in the Group's history. Despite this, the fierce market competition in China has showed no sign of subsiding and should continue to put pressure on the sales performance and profitability of Chinese vehicle manufacturers in 2020.

Nowadays, our Group is already a market leader in China's passenger vehicle market, equipped with completed range of core technologies and expertise, sustainable development capabilities, marketing our products under a variety of brands for different market segments. In addition, the Group's financial position has strengthened considerably as a result of the strong operational cash-flow generated over the past few years. This should enable the Group to continue investing for the future. Our proactive approach to manage dealer inventory and profitability to healthy levels over the past year had yielded positive results and should help prepare the Group to respond to the dynamic market changes in the coming years.

In view of the huge challenges ahead, we should stay at our original intention, keep our proven strategy and maintain our development pace. The Group will continue to increase the proportion of NEEVs in its sales volume by introducing more competitive NEEV products. The amount of new product offerings should stay at high levels in the coming years, providing sufficient momentum to for the Group to resume growth as soon as the China vehicle market stabilised.

The Group had largely completed the rebranding and restructuring of its distribution channels in its major export markets. Localisation of production to reduce costs and currency risk has started to yield positive results in markets like Belarus and Malaysia, where customer feedback and demand for the Group's products significantly improved recently. In a few years' time, exports would not only become a key driver to the Group's growth, but also help to further enhance the Group's economies of scale. In 2020, the Group will go ahead to further expand its export sales to new market in Southeast Asia and Western Europe.

The few major acquisitions in the automobile sector by the Group's parent, namely Geely Holding, over the past few years has started to create synergies and huge opportunities for the Group in both its existing automobile business and other new business areas. The partnership created by these acquisitions should provide the Group substantial opportunities for technologies and costs sharing, economies of scale and new market penetration. Longer-term, these acquisitions should provide additional sources for growth for the Group. To further enhance its long-term competitiveness and to prepare the Group for the disruptive changes ahead, the Group started preliminary discussion with the management of Volvo Car AB (publ) regarding a possible restructuring through a business combination of the two companies. Should the proposed restructuring materialise, it would lead into a stronger global Group that could realise synergies in cost structure and new technology development.

Given the prevailing uncertainties in China's passenger vehicle market, the Group's board of directors preliminarily set the Group's sales volume target for the year of 2020 at 1,410,000 units (including the sales volume target for "Lynk&Co" vehicles), representing an increase of around 4% from the total sales volume achieved in 2019.

CAPITAL STRUCTURE AND TREASURY POLICIES

The Group funds its short-term working capital requirement mainly through its own operational cash flow, short-term bank loans from commercial banks in China and Hong Kong and the payment credit from its suppliers. For its longer-term capital expenditures including product and technology development costs, investment in the construction, expansion and upgrading of production facilities, the Group's strategy is to fund these longer-term capital commitments by a combination of its operational cash flow, bank borrowings and fund raising exercises in the capital market.

On 9 December 2019, the Company issued 4% senior perpetual capital securities with an aggregate principal amount of US$500,000,000 (equivalent to approximately RMB3,425,857,000) (the "Securities") which are listed on Singapore Exchange Securities Trading Limited at an issue price of 99.641%. Transaction costs relating to the issue of the Securities amounted to approximately RMB12,755,000. Distribution is payable semi-annually in arrears in equal instalments on 9 June and 9 December of each year based on the distribution rate as defined in the subscription agreement. Distribution by the Company may be deferred at its sole discretion. The Securities have no fixed maturity and are redeemable in whole, but not in part, at the Company's option on 9 December 2024, or any distribution payment date falling thereafter at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower rank. As the Securities do not contain any contractual obligation to pay cash or other financial assets, in accordance with HKAS 32 "Financial Instruments: Presentation", they are classified as equity for accounting purpose. Any distributions made by the Company to the holders of the Securities will be deducted directly to equity in the consolidated financial statements.

As at 31 December 2019, the Group's shareholders' funds amounted to approximately RMB54.4 billion (As at 31 December 2018: approximately RMB44.9 billion). The Company issued 185.385 million ordinary shares upon exercise of share options during the year.

EXPOSURE TO FOREIGN EXCHANGE RISK

During the year, the Group's operations were principally related to domestic sales of automobiles and related automobile parts and components in the Mainland China and the Group's assets and liabilities were mainly denominated in Renminbi (RMB), the functional currency of the Company and its key subsidiaries.

In terms of export operations, most of the Group's export sales were denominated in United States dollars (US$) during the year. Also, the Group could face foreign exchange risk, particularly in emerging markets if it had local subsidiaries, associates or joint ventures in overseas export markets. The devaluation of local currencies in overseas markets could result in foreign exchange losses and affect the Group's competitiveness and therefore its sales volume in these markets. To mitigate the foreign exchange risk, the Group has embarked on plans to build additional overseas plants to increase the proportion of its costs in local currencies to engage in local business activities. Also, to compensate for higher costs in export markets, the Group has speeded up the renewal of its export models, and has started to streamline its export operations displaying comparative advantages with an aim to achieve higher customer satisfaction, better operating efficiency and economies of scale in its export markets.

The Group's management would also closely monitor the market situation and might consider tools to manage foreign exchange risk whenever necessary.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group's current ratio (current assets/current liabilities) was about 1.03 (As at 31 December 2018: 0.98) and the gearing ratio of the Group was about 7.6% (As at 31 December 2018: 7.6%) which was calculated on the Group's total borrowings (excluding trade and other payables and lease liabilities) to total shareholders' equity (excluding non-controlling interests). Working capital (inventories + trade and other receivables – trade and other payables) decreased by about RMB2,463 million to deficit RMB16,939 million at the end of 2019. If excluding the working capital effects from the acquisition through business combination and the disposal of subsidiaries, the working capital increased by RMB2.0 billion in 2019. Further, as a result of the good operational cash inflow from the Group's manufacturing operations and the issuance of the Company's US$500 million senior perpetual capital securities, the Group's total cash level (bank balances and cash + pledged bank deposits) increased by 23% year-on-year to RMB19.3 billion at the end of 2019. The Group's total borrowings (included bank borrowings and bonds payables, but excluded perpetual capital securities) also increased by 21% to RMB4.1 billion. Despite this, interest expense increased to a lesser extent in 2019 due to lower funding cost helped by improved credit ratings and move to restructure debt to longer duration during the year. Accordingly, it resulted in a slight increase in current ratio at the end of year 2019 over the previous year.

Total borrowings (excluding trade and other payables and lease liabilities) as at 31 December 2019 amounted to approximately RMB4.1 billion (As at 31 December 2018: approximately RMB3.4 billion) were mainly the Group's borrowings and bonds payables. At the end of 2019, the Group's total borrowings were denominated in United States Dollars (US$). They were well matched by the currency mix of the Group's revenues, which were mainly denominated in US$. For the borrowings, they were unsecured, interest-bearing and repaid on maturity. Should other opportunities arise requiring additional funding, the Directors believe the Group is in a good position to obtain such financing.

EMPLOYEES' REMUNERATION POLICY

As at 31 December 2019, the total number of employees of the Group was about 43,000 (As at 31 December 2018: 52,400). Employees' remuneration packages are based on individual experience and work profile. The packages are reviewed annually by the management who takes into account the overall performance of the working staff and market conditions. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the PRC. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Li Shu Fu, aged 56, joined the Company and its subsidiaries (collectively the "Group") on 9 June 2005 as the Chairman (the "Chairman") of the board of directors of the Company (the "Board") and Executive Director, and is responsible for the overall strategic planning, Board leadership, corporate governance and formulation of the corporate policies of the Group. Mr. Li holds a Master's Degree in Engineering from Yan Shan University. Presently, Mr. Li is the controlling shareholder, founder, chairman of the board of directors of Zhejiang Geely Holding Group Company Limited ("Geely Holding") (a company incorporated in the PRC, and is ultimately owned by Mr. Li and his associate, a substantial shareholder of the Company). Geely Holding and its subsidiaries are principally engaged in the sale of automobiles and related parts and components wholesale and retail business. Mr. Li has over 33 years of experience in the investment and management of the automobile manufacturing business in the PRC. Mr. Li is a member of the Chinese People's Political Consultative Conference. Mr. Li was accredited as one of the "50 Most Influential Persons in China's Automotive Industry in the 50 Years" by China Automotive News (中國汽車報).

Mr. Yang Jian, aged 58, joined the Group on 9 June 2005 as an Executive Director, and is responsible for assisting the Chairman in Board leadership and corporate governance of the Group. Mr. Yang was appointed Vice Chairman of the Board on 1 July 2008 whereas he was appointed the vice chairman of the board of directors of Geely Holding on 29 December 2011. Mr. Yang was also the chairman of the four 99%-owned key operating subsidiaries of the Group, namely, Zhejiang Jirun Automobile Company Limited ("Jirun Automobile"), Shanghai Maple Guorun Automobile Company Limited, Zhejiang Ruhoo Automobile Company Limited and Hunan Geely Automobile Components Company Limited. Mr. Yang, who graduated from Zhejiang Radio and Television University with focus on production management, holds Senior Economist and Senior Engineer designations. Since joining Geely Holding in 1996, Mr. Yang was involved in a number of different job functions within the group including product research and development (R&D), engineering and construction, manufacturing, quality improvement, marketing, after-sales service and the operation and management of the Group in the PRC and overseas.

Mr. Li Dong Hui, Daniel, aged 50, joined the Group in July 2016 as an Executive Director and Vice Chairman of the Board. Mr. Li was appointed an executive vice president and Chief Financial Officer ("CFO") of Geely Holding in June 2016, a board member of Geely Holding in April 2011, and a member of the board of directors of Volvo Car Corporation in April 2012. Mr. Li is also a director of certain subsidiaries of the Group. He is responsible for the overall strategic planning of the Group's accounting and financing system which includes accounting and financial management, cost control management, budget management, accounting reconciliation, accounting control, internal control review, taxation management, cash flow management, capital operation management, operational risk control, and investment and financing activities monitoring, etc.. Mr. Li was a vice president and CFO of Geely Holding from April 2011 to March 2014, and an executive director of the Company from May 2011 to March 2014. Mr. Li has extensive professional and senior managerial experiences with both the PRC and sino-foreign multinational companies, particularly in the fields of accounting and financial management, financing structure, strategic planning and business development. Prior to joining Geely Holding, he held key accounting, financing and corporate management positions as vice president, CFO, general manager and business development director in the PRC companies including Guangxi Liugong Machinery Company Ltd. (2010) and China Academy of Post and Telecommunication (1991), and sino-foreign multinational companies including headquarter of Cummins Inc., and its China Division (2006-2009), BMW Brilliance Automotive Ltd (2001-2005), ASIMCO Braking System (Guangzhou) Co., Ltd., ASIMCO Braking System (Zhuhai) Co., Ltd. (1997-2001) and Danfoss (Tianjin) Ltd. (1996); his last position was the vice chairman and the president (finance) of 北京東方園林生態股份有限公司 (Beijing Orient Landscape Co., Ltd.)(Stock Code of Shenzhen Stock Exchange: 002310) (2014-2016). Mr. Li graduated from the Kelley School of Business of Indiana University in the USA with a Master's Degree in Business Administration in 2010 and graduated from the Beijing Institute of Machinery in the PRC with a Master's Degree in Management Engineering with a major in Financial Management in 1997. Also, Mr. Li graduated from the Renmin University of China in the PRC with a Bachelor's Degree in Philosophy in 1991. He is currently the independent director of 中青旅控股股份有限公司 (China CYTS Tours Holding Co., Ltd.)(Stock Code of Shanghai Stock Exchange: 600138) and independent non-executive director of YTO Express (International) Holdings Limited (Stock Code of Hong Kong Stock Exchange ("HKEx"): 6123).

Mr. Gui Sheng Yue, aged 56, joined the Group on 9 June 2005 as an Executive Director and is responsible for the overall administration, risk management and compliance of the Group. Mr. Gui was appointed the Chief Executive Officer ("CEO") of the Company with effect from 23 February 2006. Mr. Gui was also the chairman of a former wholly-owned subsidiary of the Company. He is an independent non-executive director of Eagle Ride Investment Holdings Limited (Stock Code of HKEx: 901). Mr. Gui has over 33 years of experience in administration and project management. Mr. Gui had also worked with China Resources (Holdings) Company Limited. Mr. Gui holds a Bachelor of Science Degree in Mechanical Engineering from Xi'an Jiaotong University and a Master's Degree in Business Administration from University of San Francisco.

Mr. An Cong Hui, aged 50, joined the Group on 30 December 2011 as an Executive Director, and is responsible for the overall administration of the Group. Mr. An has been a vice president of Geely Holding since 2003, and has been appointed the president of Geely Holding with effect from 29 December 2011. Mr. An is currently the chairman of the principal operating subsidiary, namely Jirun Automobile, and a director of certain subsidiaries of the Group. Mr. An was previously in charge of the overall operation under the "Emgrand" product brand following the implementation of multi-brand strategy by the Group and production of gearboxes, engines and drivetrain systems of the Group. Mr. An has extensive professional knowledge and senior managerial experience in the automotive industry, particularly in the field of automotive engineering. He joined Geely Holding since 1996 after graduation from Hubei University of Economic and Management with a Diploma in Contemporary Accounting. From 1996 to now, Mr. An has held various key positions in Geely Holding including chief engineering officer and general manager.

Mr. Ang Siu Lun, Lawrence, aged 60, joined the Group on 23 February 2004 as an Executive Director and is mainly responsible for the international business development, capital market and investors' relationship of the Group. Mr. Ang holds a Bachelor of Science Degree in Physics and Computer Science and a Master of Business Administration Degree from the Chinese University of Hong Kong. Prior to joining the Group, Mr. Ang worked in a number of major international investment banks for seventeen years with extensive experience in equity research, investment banking and financial analysis. Mr. Ang is a non-executive director of Honbridge Holdings Limited (Stock Code of HKEx: 8137). He was an independent non-executive director of Genvon Group Limited (Stock Code of HKEx: 2389).

Ms. Wei Mei, aged 51, joined the Group on 17 January 2011 as an Executive Director. Ms. Wei is a vice president of Geely Holding and is responsible for the human resources management and training of Geely Holding since June 2009. Ms. Wei holds a Doctoral Degree in Management from the Northwest A&F University, a Master's Degree in Management and a Bachelor's Degree in Science from the Ocean University of China. From 2003 to 2007, Ms. Wei was the group human resources director of Beiqi Foton Motor Co., Ltd. ("Foton Motor") and focused on Foton Motor's human resources management, control and training. Prior to that, Ms. Wei worked in the group of Qingdao Haier Co., Ltd. ("Qingdao Haier") from 1991 to 2002 and served a number of positions in the department of integration and dishwashers business unit of Qingdao Haier Refrigerator Co., Ltd., participating in the development, diversification and globalization of Qingdao Haier. Ms. Wei was in charge of organizational management, operation appraisal, quality system management and human resources and was also directing the operation management of Haier dishwashers and other small appliances.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Cheuk Yin, Dannis, aged 49, joined the Group as an Independent Non-executive Director on 28 June 2002. He obtained the Bachelor of Business Administration from Texas A & M University, the USA. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. He possesses over 27 years of experience in accounting and auditing field. Mr. Lee is currently a managing director of DLK Advisory Limited, and is an independent non-executive director of each of Tiangong International Company Limited (Stock Code of HKEx: 826) and CMBC Capital Holdings Limited (formerly known as Skyway Securities Group Limited, Stock Code of HKEx: 1141). He was an executive director of both Guojin Resources Holdings Limited (Stock Code of HKEx: 630) and AMVIG Holdings Limited (Stock Code of HKEx: 2300), a non-executive director of Kam Hing International Holdings Limited (Stock Code of HKEx: 2307), and an independent non-executive director of both U-Home Group Holdings Limited (Stock Code of HKEx: 2327) and Southern Energy Holdings Group Limited (formerly known as China Unienergy Group Limited, Stock Code of HKEx: 1573).

Mr. Yeung Sau Hung, Alex, aged 70, joined the Group as an Independent Non-executive Director on 6 June 2005. Mr. Yeung was appointed as a non-executive director of GRST Investment (BVI) Limited, a research and manufacturing company focusing on battery technology, on 25 November 2016. He was the CEO in March 2012 and later became the Responsible Officer of LW Asset Management Advisors Ltd., a regulated fund management company. After his resignation in May 2016, he currently is the Responsible Officer of another regulated fund management company and a non-executive director of GRST Technology Research Company. Mr. Yeung entered the fund management and financial consultant profession after his retirement from the role of chief executive officer of DBS Vickers (Hong Kong) Limited ("DBS Vickers"). Mr. Yeung is a MBA graduate from the University of Southern

California and brings with him more than 37 years of experience in the financial services industry. Prior to joining DBS Vickers, Mr. Yeung was the deputy chairman of the management committee of a listed consumer electronics company for four years. Before that, he was the country head of the division of Greater China Equities and the managing director of Deutsche Securities Hong Kong.

Mr. An Qing Heng, aged 75, joined the Group as an Independent Non-executive Director on 17 April 2014. Mr. An has extensive professional and management experience in the automotive industry, particularly in the fields of automotive engineering and manufacturing. Since after graduation from the Faculty of Agricultural Machinery (currently known as the Faculty of Automotive Engineering) of Tsinghua University with a professional qualification in automotive tractors and engines in 1968, he had worked with Beijing Gear Works Factory (北京齒輪總廠), Beijing United Automobile and Motorcycle Manufacturing Company (北京汽車摩托車聯合製造公司) and Beijing Automotive Industry Company (北京汽車工業總公司) in various important positions as vice factory director, chief engineer and general manager. He then served as the chairman and the Communist Party Committee Secretary (黨委書記) of Beijing Automotive Industry Holding Company Limited (北京汽車工業控股有限責任公司); and was once concurrently the chairman of Beiqi Foton Motor Company Limited (北汽福田汽車股份有限公司), Beijing Jeep Corporation (北京吉普汽車有限公司) and Beijing Benz Automotive Company Limited (北京奔馳汽車有限公司). Mr. An has been a member of Beijing Political Consultative Conference (北京市政治協商委員會) (the 8th and 10th sessions), a representative of Beijing Municipal People's Congress (北京市人民代表大會) (the 11th session), and a member of the Standing Committee of Beijing Association for Science and Technology (北京市科學技術協會常委會) (the 4th, 5th, 6th and 7th sessions). Mr. An is currently the director of the Advisory Committee of China Automotive Industry (中國汽車工業諮詢委員會). Mr. An has also obtained the qualification of Senior Engineering (Professor Level) accredited by the Senior Vocational Title Inspecting Committee of Beijing Municipality (北京市高級專業技術職務評審委員會). Mr. An was the independent director of Yechiu Metal Recycling (China) Limited (A Share Stock Code of Shanghai Stock Exchange: 601388), Liaoning SG Automotive Group Co., Ltd. (A Share Stock Code of Shanghai Stock Exchange: 600303) and Henan Province Xixia Automobile Water Pump Co., Ltd. (Stock Code of Shenzhen Stock Exchange: 002536).

Mr. Wang Yang, aged 45, joined the Group as a Non-executive Director on 15 September 2010 and he has been re-designated to an Independent Non-executive Director of the Company with effect from 17 May 2012. Mr. Wang is presently a partner of Primavera Capital Group. Mr. Wang holds a Bachelor of Engineering dual-degree in Management Engineering and Computer Science and a Master of Science Degree in Management Science and Engineering from the Shanghai Jiaotong University. Mr. Wang used to work in Goldman Sachs ("Goldman Sachs") Principal Investment Area as a managing director. From 2006 to 2010, working in Goldman Sachs, he focused on private equity investments in the PRC. During the period, he led the Goldman Sachs' US$245 million convertible bond investment transaction in the Company. Prior to that, Mr. Wang worked in China International Capital Corporation ("CICC") investment banking division as a vice president from 2002 to 2006, focusing on China-based companies' initial public offerings and restructurings. Mr. Wang served major state-owned enterprises in various sectors during this period. Prior to CICC's investment banking division, Mr. Wang worked in CICC's Private Equity Group from 2000 to 2001.

SENIOR MANAGEMENT

Mr. Cheung Chung Yan, David, aged 44, joined the Group as the Financial Controller and Company Secretary on 17 May 2005. Mr. Cheung was also a director of a former wholly-owned subsidiary of the Company and was an independent non-executive director of Ourgame International Holdings Limited (Stock Code of HKEx: 6899). Mr. Cheung holds a Bachelor's Degree in Business Administration in Accounting from the Hong Kong University of Science and Technology. He is a fellow member of the Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Directors. Mr. Cheung has over 22 years of experience in auditing, accounting and financial management.

Mr. Dai Yang, Daniel, aged 65, joined the Group on 5 May 2005 and is the head of the investor relation department of the Company, mainly responsible for the investor relation and international business in Hong Kong. Mr. Dai holds a Master's Degree of Linguistics from Beijing Foreign Language Institute and a Bachelor's Degree of Arts from Beijing Normal College. Mr. Dai started his career with China Resources (Holdings) Co. Ltd. in Hong Kong in 1986 and his last position was an assistant general manager of China Resources Investment Co. Ltd. Then, Mr. Dai joined Da Fang Investment Co. Ltd. in Hong Kong as a general manager. Prior to joining the Company, Mr. Dai has mainly focused his career on projects investment.

Mr. Poon Chi Kit, aged 40, joined the Group on 1 July 2011. He was appointed as the Head of Internal Audit of the Company with effect from 1 October 2015 and is in charge of risk assessment and monitoring, internal audit, and internal control infrastructure development of the Group. Mr. Poon was the Group Financial Controller of Kandi Electric Vehicles Group Co., Ltd., a former joint venture of the Group. Mr. Poon holds a Bachelor's Degree in Civil Engineering from the National University of Singapore. He is a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Poon has over 14 years of experience in auditing, accounting and financial management.

Mr. Chiu Yeung, Adolph, aged 35, joined the Group on 18 August 2010 as a management trainee in support of the senior management and the Board. He was appointed the Vice President responsible for investment and capital market since October 2015. Mr. Chiu holds a few professional accreditations granted by Hong Kong Securities and Investment Institute. Mr. Chiu obtained a Bachelor of Science Degree from University of Science and Technology of China Special Class for the Gifted Young, and once carried out scientific research and worked as teaching assistant in University of Florida.

CORPORATE GOVERNANCE REPORT

Geely Automobile Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) strive for a high standard of corporate governance with a view to upholding a strong and balanced board of directors of the Company (the “Board”) and maintaining a transparent and open communication channel with the Company’s shareholders (the “Shareholders”).

Besides the corporate governance aspect, which will be further discussed in this report below, more details of the Group’s environmental, social and governance (“ESG”) measures including the relevant policies and performance in the areas of environmental, employment and labour standards, operating practices, and community, as well as the compliance with the relevant laws and regulations that have a significant impact on the Group will be covered in the Group’s ESG report, which will be published no later than three months after the publication of annual report, on the websites of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Company.

For the year ended 31 December 2019, the Company has complied with the code provisions (“CPs”) of the Corporate Governance Code and Corporate Governance Report (“CG Code”), as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except for CPs A.2.7, A.6.5 and E.1.2. This report further illustrates as to how the CG Code has been applied, inclusive of the considered reasons for any deviation, in the year under review.

A. DIRECTORS

The directors of the Company (the “Directors”) all possess extensive experience in the automobile industry, commercial management and the operation of the capital market. The Board, with its diverse composition, can provide the management with viewpoints and advices for effective decision making. For Directors’ biographical information, please refer to pages 25 to 28 of this annual report.

The table below illustrates the major duties and responsibilities of the Directors together with their positions held in the Board and its committees, and the dates of their initial appointment and last re-election at the general meetings of the Company.

Name of Directors	Position(s)	Date of Initial Appointment	Date of Last Re-election	Major Duties/Experience/Skills
Mr. Li Shu Fu	Chairman of the Board (the "Chairman") & ED[1]	9 June 2005	25 May 2017	Directs overall corporate strategic direction, Board leadership and corporate governance of the Group
Mr. Yang Jian	Vice Chairman & ED[1]	9 June 2005	27 May 2019	Assists the Chairman in Board leadership and corporate governance of the Group
Mr. Li Dong Hui, Daniel	Vice Chairman & ED[1]	15 July 2016	25 May 2017	Oversees the overall strategic planning of the Group's accounting and financing system which includes accounting and financial management, cost control management, budget management, accounting reconciliation, accounting control, internal control review, taxation management, cash flow management, capital operation management, operational risk control, and investment and financing activities monitoring, etc.
Mr. Gui Sheng Yue	Chief Executive Officer, ED[1] & member of NC[6]	9 June 2005	25 May 2018	Oversees administrative management (Hong Kong), risk management (excluding China), compliance and internal controls of the Group
Mr. An Cong Hui	ED[1]	30 December 2011	25 May 2018	Oversees operational and risk management (China) of the Group
Mr. Ang Siu Lun, Lawrence	ED[1]	23 February 2004	27 May 2019	Oversees international business development, capital market and investor relation activities of the Group
Ms. Wei Mei	ED[1] & member of RC[5]	17 January 2011	25 May 2018	Oversees human resources management of the Group
Mr. Carl Peter Edmund Moriz Forster *(resigned on 21 August 2019)*	NED[2]	9 January 2013	27 May 2019	Provides independent consultancy advice on strategic planning to the Board
Mr. Lee Cheuk Yin, Dannis	INED[3], chairman of AC[4], member of RC[5] & member of NC[6]	28 June 2002	25 May 2017	Provides independent advice on financial and auditing activities to the Board

Name of Directors	Position(s)	Date of Initial Appointment	Date of Last Re-election	Major Duties/Experience/Skills
Mr. Yeung Sau Hung, Alex	INED[3], chairman of RC[5], member of AC[4] & member of NC[6]	6 June 2005	27 May 2019	Provides independent advice on corporate finance and investment to the Board
Mr. An Qing Heng	INED[3] & member of AC[4]	17 April 2014	25 May 2018	Provides independent advice on automobile industry and strategic deployment to the Board
Mr. Wang Yang	INED[3], chairman of NC[6], member of AC[4] & member of RC[5]	15 September 2010	25 May 2017	Provides independent advice on corporate finance, investments and merger & acquisitions to the Board

Notes:

1 ED: Executive Director
2 NED: Non-executive Director
3 INED: Independent Non-executive Director
4 AC: Audit Committee
5 RC: Remuneration Committee
6 NC: Nomination Committee

Responsibilities of Directors

The Directors acknowledge their responsibilities to apply their relevant levels of skill, care and diligence when discharging duties. The Board also understands where potential conflicts of interests arise, the non-executive Directors (including the independent non-executive Directors) will lead in discussing the relevant transactions being contemplated when there is a Director or any of his associates having a material interest in the transactions and will abstain from voting.

In order to ensure every newly appointed Director to keep abreast of his/her responsibilities and conduct (especially in the cases of non-executive Directors and independent non-executive Directors as to bringing independent judgments to the Board), and to obtain a general understanding of the Company's business activities and development, the Company would arrange a comprehensive, formal and tailored induction for him/her upon appointment. There was no new appointment of Director and thus no induction training had been arranged during the year.

The Directors disclose to and update the Company the number and nature of offices they hold in public companies or organizations and other significant commitments, together with the time involved every year; any change of such during the year would be reflected in their profiles and disclosed in the Company's website and annual report in due course. All Directors confirmed that they had given sufficient time and attention to the Group's affairs during the year. The independent non-executive Directors also declared their independence to make constructive and informed comments as to the development of the Company's strategy and policies by discharging their duties. The Board reviewed the relevant disclosure, confirmation and declaration together with their actual time contribution, and agreed that all Directors had taken active interests in the Group's affairs during the year.

Continuous Professional Development

CP A.6.5 provides that the Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. During the year, the Company did not host a continuous professional development ("CPD") session for the Directors as the Company has made alternative arrangement so that the Directors may elect to participate in courses and topics of their own interests. To accommodate the Directors' development and to refresh their knowledge and skills, so as to ensure that their contribution to the Board would remain informed and relevant, the Directors can submit their applications with details of the curriculum and the relevant course fees to the Chief Executive Officer of the Company ("CEO"). Once the training is considered acceptable, the course fees will be fully reimbursed when valid payment receipts are presented.

In addition, as the Directors are geographically dispersed, the Company provided them with technical updates from the Securities and Futures Commission and listing compliance updates including, amongst other things, e-training for listed companies' directors hosted by the Stock Exchange, the continuing listing criteria and other rule amendments and review of issuers' ESG practice disclosure during the year. The Company received written confirmations from the Directors about their full understanding of such training material. Records of the Directors' participation in other CPD or training sessions provided, if any, are maintained by the Company Secretary of the Company (the "Company Secretary").

Supply of and Access to Information

The Company provides the Directors with adequate information in a timely manner that will enable them to make informed decisions and discharge their duties and responsibilities properly. The Company ensures that individual Director will have separate and independent access to the senior management whenever necessary, and any queries raised by the Directors should receive a prompt and full response.

For the notices, intended agendas, papers and materials related to the meetings of the Board and its committees, the management team provides complete, reliable and timely information to the Directors with proper briefing in respect of the matters and issues being contemplated by the Directors at the meetings of the Board and its committees. The Company also keeps the Directors well informed of the execution status and latest developments of the respective matters and issues resolved by them in a timely manner. In addition to regular Board meetings, the Company also provides reports in relation to the Group's consolidated management accounts and sales volume on a monthly basis, and press releases together with share price performance on an ad hoc basis to the Board.

Securities Transactions of the Directors and the Senior Management

During the year, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own guidelines for dealings in the Company's securities by its relevant employees.

The Directors, having been enquired specifically, confirmed their compliance with the required standard set out in the Model Code during the year and there had been no cases of non-compliance reported. As at 31 December 2019, details of the Directors' holding of the Company's securities are set out on pages 61 to 62 of this annual report. Mr. Dai Yang ("Mr. Dai") was interested in 1,683,000 shares of the Company as at 31 December 2019. Mr. Chiu Yeung, Adolph ("Mr. Chiu") was interested in 1,065,000 shares of the Company as at 31 December 2019. Save for Mr. Dai and Mr. Chiu, other senior management members of the Company whose profiles being set out on page 29 of this annual report, declared that they did not hold any shares of the Company as at 31 December 2019.

In addition, the Company issues notices to all Directors and relevant employees of the Group reminding them to comply with the Model Code 60 days prior to the publication of the annual results, 30 days prior to the publication of the interim results, and any time when they are in possession of or privy to any unpublished inside information of the Group before it is properly disclosed by means of announcement.

The Company also adopted an internal policy on handling inside information which is consistent with the relevant requirements of the Listing Rules. The policy sets out measures and procedures for the Directors and other relevant officers of the Company to assume duty when dealing with potential inside information and preservation of its confidentiality whenever applicable. It also sets out guidelines for the Board to disclose timely any material inside information according to the relevant statutory and regulatory requirements.

Insurance for Directors and Senior Management

During the year, the Company arranged liability insurance for the Directors and senior management to provide appropriate coverage based upon performance of duties by such persons; the Board considered the insured amount was adequate. The insured amount is subject to an annual review by the Audit Committee and the Board.

B. THE BOARD

The Company is headed by the Board effectively through its strong leadership in strategic orientations and overall management of the corporate matters from a balanced and pragmatic standpoint.

Corporate Governance Duties

The Board performed (including but not limited to) the following corporate governance duties during the year: (i) reviewed the existing policies of the Company on corporate governance including Whistleblowing Policy, Remuneration Policy, Shareholders' Communication Policy, Dividend Policy, Director Nomination Policy and Board Diversity Policy; (ii) reviewed the coverage of knowledge and skills in the CPD arrangements made for the Directors and/or senior management by the Company; (iii) reviewed the effectiveness of internal procedures for overseeing timely disclosure of material inside information and perseverance of its confidentiality; (iv) monitored the compliance of Model Code by the Directors and relevant employees of the Group; and (v) reviewed the Company's compliance with the CG Code and disclosure in this report.

Management Functions Delegated by the Board

The Board has delegated the responsibilities of the execution of strategies and decision making for day-to-day operation and administration functions of the Company to the management team headed by the CEO.

The Board has set out written guidelines for the management team as to matters where final authority on decision-making should rest with the Board and its prior approval should be obtained, in particular when entering into any major commitments; issues of such include but not limited to any proposed notifiable transactions, connected transactions, significant domestic and/or overseas investments, major business decisions related to operation and business strategy, change of key management of the Group, and disclosure of inside information.

Composition of the Board

The Company appoints independent non-executive Directors representing at least one-third of the Board and one of whom must have appropriate professional qualifications or accounting or related financial management expertise. As at 31 December 2019, the Board comprised seven executive Directors and four independent non-executive Directors, namely Mr. Lee Cheuk Yin, Dannis (an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants), Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang. Details of the compositions of the Board and its committees are set out on page 223 of this annual report.

The independent non-executive Directors should be identified in all corporate communications that disclose the names of Directors. An updated list of Directors and their roles and functions is maintained on the Company's website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and on the website of the Stock Exchange (http://www.hkexnews.hk) for Shareholders' inspection.

Appointments and Re-election of Directors

All Directors, including non-executive Directors, are appointed for a specific term of not more than three years and are subject to retirement by rotation at least once every three years at the Company's general meetings. Directors appointed to fill a casual vacancy should also be subject to election by Shareholders at the first general meeting after appointment.

In accordance with Article 116 of the Company's Articles of Association (the "Articles of Association"), Mr. Li Shu Fu, Mr. Li Dong Hui, Daniel, Mr. Lee Cheuk Yin, Dannis and Mr. Wang Yang will retire by rotation and being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting. No Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

As Mr. Li Shu Fu is the chairman and the substantial shareholder of the Company, Mr. Li and his associates will abstain from voting on the ordinary resolution regarding his own re-election at the forthcoming annual general meeting of the Company.

As Mr. Lee Cheuk Yin, Dannis and Mr. Wang Yang have served the Company for more than 9 years, their respective further appointment should be subject to a separate resolution to be approved by Shareholders. Throughout their tenure with the Company, they have participated in Board meetings to give impartial advice and exercise independent judgement, served on various committees of the Board. By taking into account their independent status in the Board in the past years, and that they are not involved in the day-to-day management of the Company, the Board believes they are still independent and should each be re-elected as the Company's independent non-executive Director. Further, the Board believes that their continuous appointment as independent non-executive Directors will help maintain the stability of the Board as they have gained valuable insights into the business strategy and policies of the Group over time; such reasons shall be set out in the circular of the forthcoming annual general meeting of the Company for Shareholders' consideration.

Meetings of the Board

As required by business needs, the Company held a total of 5 regular Board meetings, 11 ad hoc Board meetings, 118 meetings of the executive committee of the Board ("EC"), 3 meetings of the Audit Committee ("AC"), 2 meetings of the Remuneration Committee ("RC"), 1 meeting of the Nomination Committee ("NC"), 1 annual general meeting ("AGM") and 2 extraordinary general meetings ("EGMs") for the financial year ended 31 December 2019.

Most of the meetings of the Board and its committees were duly attended by a majority of the Directors through electronic means pursuant to the Articles of Association as most of the Directors' business engagements were in the PRC. During the year, the Directors attended the meetings of the Board and its committees by themselves and they did not appoint any alternate director. For any Board resolution approving contract, arrangement or any other proposal in which a Director or any of his associates has a material interest ("Interested Director"), the Interested Director abstained from voting at such Board meetings and the relevant meetings of the Board committees, where presence of the non-interested independent non-executive Directors should be assured.

The following table illustrates the attendance of each Director at the meetings of the Board and its committees, and general meetings of the Company. The denominators indicate the number of respective meetings held during the year that each Director is entitled to attend to reflect the effective attendance rate applicable to any Director(s) whom appointed and/or resigned part way during the year.

	Attendance Rate for Meetings							
Name of Directors	**Regular Board Meetings**	**Ad hoc Board Meetings**	**EC Meetings**	**AC Meetings**	**RC Meetings**	**NC Meeting**	**AGM**	**EGMs**
Executive Directors								
Mr. Li Shu Fu *(Chairman)*	4/5	11/11	–	–	–	–	0	0/2
Mr. Yang Jian *(Vice Chairman)*	5/5	11/11	–	–	–	–	1	2/2
Mr. Li Dong Hui, Daniel *(Vice Chairman)*	5/5	11/11	–	2	–	–	1	0/2
Mr. Gui Sheng Yue *(CEO)*	5/5	11/11	118/118	–	–	1/1	1	1/2
Mr. An Cong Hui	5/5	11/11	–	–	–	–	1	0/2
Mr. Ang Siu Lun, Lawrence	5/5	11/11	118/118	2	–	–	1	2/2
Ms. Wei Mei	5/5	11/11	–	–	2/2	–	1	1/2
Non-executive Director								
Mr. Carl Peter Edmund Moriz Forster *(resigned on 21 August 2019)*	3/5	8/11	–	–	–	–	1	1/1
Independent Non-executive Directors								
Mr. Lee Cheuk Yin, Dannis	5/5	11/11	–	3/3	2/2	1/1	1	2/2
Mr. Yeung Sau Hung, Alex	5/5	11/11	–	3/3	2/2	1/1	0	1/2
Mr. An Qing Heng	5/5	11/11	–	3/3	–	–	1	2/2
Mr. Wang Yang	5/5	11/11	–	3/3	2/2	1/1	1	2/2

Relation of the Board Members

None of the members of the Board has any relationship (including financial, business, family or other material/ relevant relationship(s)) with each other and in particular, with the Chairman and the CEO.

Existing Independent Non-executive Directors

Each of the independent non-executive Directors entered into a term of service of three years with the Company under a formal letter of appointment and is subject to retirement by rotation at least once every three years and offer himself for re-election at the annual general meeting of the Company.

Having received annual confirmation from the four independent non-executive Directors for the year ended 31 December 2019 confirming that they had not been involved in any business which might fall under the factors for assessing their independence as set out in Rule 3.13 of the Listing Rules, the Company considers all of the independent non-executive Directors are still independent and they have the character, integrity, independence and experience to fulfill their roles effectively.

When a matter should be resolved in a meeting involving a substantial Shareholder or a Director having conflict of interest that determined to be material by the Board, the independent non-executive Directors who have no material interest in the subject matter would attend the meetings of the Board and its committees and lead the discussions.

Chairman and Chief Executive Officer

The Chairman and the CEO are Mr. Li Shu Fu and Mr. Gui Sheng Yue, respectively, to ensure a balance of power and authority.

The Chairman provides leadership for the effective running of the Board by delegating the Company Secretary to facilitate the proper convening of the meetings of the Board and its committees and the dissemination of adequate information, in order to ensure that the Directors would be properly briefed on issues being discussed at the meetings of the Board and its committees and that they are encouraged to discuss all key and appropriate issues of the Group timely. The Chairman has delegated the Company Secretary to draw up the agenda of the relevant meetings and circulate it to the Directors for comments, agenda items proposed by the Directors will then be included in the relevant meetings for further discussion. A culture of openness and a constructive relation between executive and non-executive Directors are promoted.

CP A.2.7 provides that the Chairman should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. During the year ended 31 December 2019, a formal meeting could not be arranged between the Chairman and the independent non-executive Directors without the presence of other Directors. Although such meeting was not held during the year, the Chairman has delegated the Company Secretary to gather any concerns and/or questions that the independent non-executive Directors might have and report to him for considering whether any follow-up meeting is necessary.

The CEO is primarily responsible for the daily operations of the Group with the assistance from other executive Directors and the management team. The division of responsibilities between the Board and the management team was clearly established in writing.

The Chairman has also endorsed the Company Secretary to draft relevant policies and guidelines as to upholding good corporate governance practices and procedures of the Group, such as the Shareholders' Communication Policy and Director Nomination Policy for maintaining effective communication with Shareholders and directing their views to the Board as a whole. For details of Shareholders' rights, please refer to pages 48 to 50 of this report.

C. BOARD COMMITTEES

The Company currently has four Board committees, namely Executive Committee, Remuneration Committee, Nomination Committee and Audit Committee. The written terms of reference of Remuneration Committee, Nomination Committee and Audit Committee are published on the Company's website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection.

Executive Committee

An Executive Committee comprising Mr. Gui Sheng Yue and Mr. Ang Siu Lun, Lawrence was established in 2015 pursuant to the Articles of Association. Specific written terms of reference of which was set out to enable the committee to perform its functions properly. The Executive Committee should report back to the Board on their decisions made or recommendations given, if applicable, at least once every year. During the year, the Executive Committee held 118 meetings. Full minutes of the Executive Committee are kept by the Company Secretary and were sent to all committee members for their comment and records, within a reasonable time after the meeting. The attendance record, on a named basis, at those meetings is set out in the table on page 37 of this report.

Remuneration Committee

The role and function of the Remuneration Committee is to determine the policy for the remuneration package of executive Directors and senior management with access to independent professional advice at the Company's expense if necessary; to assess the performance of executive Directors and senior management; to approve the terms of service contracts of executive Directors and senior management; and to make recommendations to the Board on the remuneration of non-executive Directors. The remuneration packages of executive Directors and senior management should include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment at a reasonable and appropriate level); levels of which should be sufficient to attract, retain and/or compensate Directors and senior management to run the Company successfully without paying more than necessary.
The updated terms of reference of the Remuneration Committee are published on the Company's website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection.

Proceedings of the Remuneration Committee

The Remuneration Committee being chaired by an independent non-executive Director currently comprises members of three independent non-executive Directors (including the chairman of the committee himself) and one executive Director. Details of the compositions of the Board and its committees are set out on page 223 of this annual report.

During the year, the Remuneration Committee held 2 meetings. Full minutes of the Remuneration Committee are kept by the Company Secretary and were sent to all committee members for their comment and records, within a reasonable time after the meeting. The attendance record, on a named basis, at those meetings is set out in the table on page 37 of this report. The Remuneration Committee considered the following proposals and made recommendation to the Board whenever necessary during the year:

- Reviewed the basic monthly salary, benefits and year-end bonus of individual executive Directors with reference to their past contribution, experience and duties as well as the Company's Remuneration Policy and prevailing market conditions; and

- Reviewed the Company's Remuneration Policy and the terms of reference of the committee.

Disclosure of Remuneration Payable to Directors and Senior Management

The Remuneration Committee adopts the model described in CP B.1.2(c)(i), which is to determine, with delegated responsibility, the remuneration packages of the Directors, in particular, the executive Directors, and the senior management. In determining the remuneration packages of the Directors, the Remuneration Committee ensures no Director or any of his/her associate is involved in deciding his/her own remuneration.

The Directors conducted the self-evaluation on their individual performance and contribution to both the Board and the Group during the year.

Under the Company's Remuneration Policy, the remuneration packages of the Directors and senior management are made up of the following two tiers: 1) on short-term basis – basic monthly salaries and discretionary year-end bonus; and 2) on long-term incentive basis – share option scheme and retirement benefits. The diversified remuneration package can reflect the market value of the relevant duties of the Directors and senior management; encourage relevant Directors and senior management to achieve the corporate goal; attract and retain the experienced human resources of the Group; and provide competitive retirement protection.

For the year ended 31 December 2019, the remuneration payable to members of senior management was within the following bands:

	Number of individuals
HK$500,001 – HK$1,000,000	1
HK$1,000,001 – HK$1,500,000	2
HK$2,000,001 – HK$2,500,000	1
	4

The aggregate of the emoluments in respect of the above members of senior management was as follows:

	RMB'000
Basic salaries and allowances	4,940
Retirements benefits and scheme contributions	94
Share-based payment expenses	12
	5,046

For details of Directors' remuneration, please refer to pages 141 to 143 of this annual report.

Nomination Committee

The role and function of the Nomination Committee is to determine the policy for the nomination of Directors with the right to seek independent professional advice at the Company's expense if necessary. The updated terms of reference of the Nomination Committee are published on the Company's website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection.

Proceedings of the Nomination Committee

The Nomination Committee being chaired by an independent non-executive Director currently comprises members of three independent non-executive Directors (including the chairman of the committee himself) and one executive Director. Details of the compositions of the Board and its committees are set out on page 223 of this annual report.

The Nomination Committee reviews the composition of the Board on a regular basis so as to ensure that the Board has a good balance of expertise, skills, knowledge and experience which can complement the corporate strategy of the Company. When selecting and recommending candidates for directorship, the committee takes into account the qualification, ability, working experience, leadership, professional ethics and independence (as the case may be) of the candidates before nominating the candidates with high caliber to the Board for selection and appointment.

During the year, the Nomination Committee held 1 meeting. The committee reviewed the existing structure, size and composition of the Board in accordance with the Board Diversity Policy; reviewed the independence of the existing four independent non-executive Directors; and reviewed the terms of reference of the committee. The attendance record, on a named basis, at those meetings is set out in the table on page 37 of this report.

Procedures and Process for Nomination of Director by the Nomination Committee

Upon identifying a director candidate, the Nomination Committee initially determines the need for additional or replacement Board members and evaluates the director candidate under a range of objective criteria based on the information the Nomination Committee receives with the recommendation or otherwise possesses, which may be supplemented by certain inquiries. If the Nomination Committee determines, in consultation with other Board members, including the Chairman, that a more comprehensive evaluation is warranted, the Nomination Committee may then obtain additional information about the director candidate's background and experience, including by means of interviews. The Nomination Committee will then evaluate the director candidate further, again using the evaluation criteria described above. The Nomination Committee receives input on such director candidates from other directors, including the Chairman, and recommends director candidates to the Board for nomination.

The Nomination Committee may engage a third party to assist in the search for director candidates or to assist in gathering information regarding a director candidate's background and experience. If such third party is engaged, the Company will pay for the services to enable the Nomination Committee discharging the duties.

Board Diversity Policy

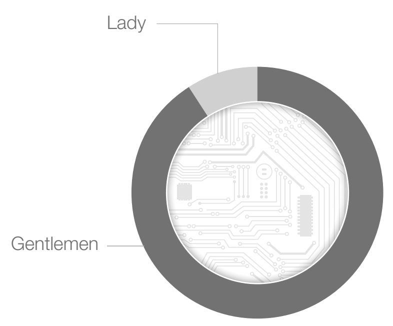
With a view to achieving a sustainable and balanced development, the Company regards increasing diversity at the Board level as an essential element. The Board Diversity Policy of the Company is published on the Company's website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance".

In order to enhance the quality of the performance of the Board and achieve a sustainable and balanced development of the Group, the Board ensures that board diversity will be considered from various aspects when designing the Board's composition and that the nomination and selection of candidates as Board member will be considered against objective criteria based on a range of diversity perspectives.

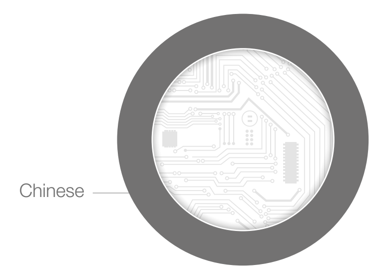
As at the date of this report, the Board has an intention to increase the female proportion in the Board composition, despite a right candidate has yet to be identified.

The Board also reviews the Board Diversity Policy at least annually or whenever as appropriate, to ensure its effectiveness. Taking into account the vast development of the consumer products market, a range of diversity perspectives was analysed for the Board's composition during the year as set out in the pie charts below.

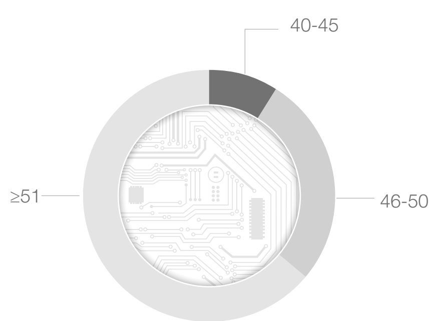
By Gender



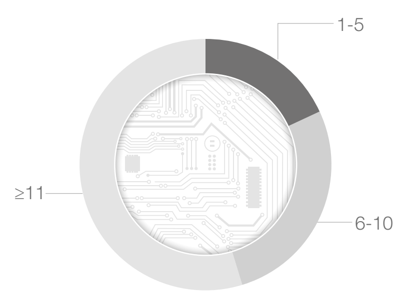
By Ethnicity



By Age Range (years old)



By Length of Service with the Company (years)



Audit Committee

The role and function of the Audit Committee is to investigate any activity within its terms of reference fairly and independently and take appropriate follow-up action if necessary; to seek any information it requires from any employee(s), whereas all employees are directed to cooperate with any request made by the committee; and to review and ensure that proper arrangements are in place for the Company's employees to use, in confidence, to raise concerns about possible improprieties in financial reporting, internal controls or other matters. The Audit Committee has the right to seek independent professional advice at the Company's expense if necessary. The Audit Committee also acts as the key representative body for overseeing the Company's relations with the external auditor. The updated terms of reference of the Audit Committee are published on the Company's website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and the Stock Exchange's website (http://www.hkexnews.hk) for Shareholders' inspection.

Proceedings of the Audit Committee

The Audit Committee being chaired by an independent non-executive Director, who is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants, currently comprises four members (including the chairman of the committee himself), solely the independent non-executive Directors. Details of the compositions of the Board and its committees are set out on page 223 of this annual report.

During the year, the Audit Committee held 3 meetings. Full minutes of the Audit Committee are kept by the Company Secretary and were sent to all committee members for their comment and records, within a reasonable time after the meeting. The attendance record, on a named basis, at those meetings is set out in the table on page 37 of this report. The Audit Committee considered the following businesses and/or made recommendation to the Board, when necessary, during the year:

- Reviewed the Group's audited annual results for the year ended 31 December 2018 including the major accounting issues raised by the external auditor;

- Reviewed the Group's interim results for the six months ended 30 June 2019;

- Assessed the independence and objectivity of the Company's external auditor and approved the annual audit fee for the year ended 31 December 2019;

- Approved the insurance of the Directors' and officers' liabilities of the Group and confirmed the adequacy of insurance coverage;

- Reviewed the internal audit findings conducted by the Internal Audit Department of the Company and assessed the effectiveness of the internal control system of the Group; and

- Reviewed the Whistleblowing Policy and the terms of reference of the committee.

Relationship with the external auditor

Apart from meeting with the Company's external auditor twice a year for approving the interim results and the annual results, the Audit Committee also meets with the external auditor in the absence of the management team of the Company, including executive Directors, whenever necessary to discuss any issues related to the audit (e.g. nature and scope of the audit, key audit matters, reporting obligations, audit fee, nature and scope of non-audit service provided, and those arising from the audit (e.g. judgment used in the financial reporting, compliance with financial reporting and auditing standards), etc.) so as to review and monitor the independence and objectivity of the Company's external auditor, and the effectiveness of the audit process in accordance with applicable standards.

Risk Management and Internal Control

For the year ended 31 December 2019, the Board conducted an annual review of the effectiveness of the Group's risk management and internal control systems based on the confirmation made by the management and inputs from the Audit Committee. The Board considered the risk management and internal control systems of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions, effective and adequate during the year.

The Board has an overall and ongoing responsibility for the Group's risk management and internal control systems, and reviewing their effectiveness. It is acknowledged that risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material adverse change or damage.

The Board, through its risk oversight role, ensures that the management establishes an effective risk management, consistent with the Group's strategy and risk appetite. The management establishes risk management policies and internal control processes to identify, evaluate and manage risks. Each business unit implements such policies and processes in the daily operations and reports significant risks identified to the management regularly. The management assesses and evaluates these significant risks reported then allocates sufficient resources to address these risks and monitors the risk management status reported from the relevant business unit from time to time. The management will communicate the risk management and internal control findings to the Board for its assessment of the effectiveness of the relevant risk management and internal control systems of the Group.

The Internal Audit Department of the Company reviews material internal control aspects of the Group, including financial, operational and compliance controls as well as risk management function and reports the findings to the Audit Committee at least twice a year and on ad hoc basis. The findings are communicated with the management and actions are taken to resolve defects as and when identified. No material internal control defects were identified during the year.

When the Board and the Audit Committee express concerns over the risk management and internal control matters of the Group, the Internal Audit Department of the Company will investigate and communicate the findings with and make recommendations to the management. The Internal Audit Department of the Company also maintains an effective communication with the external auditor of the Company on the Group's internal control system during interim review and annual audit.

The Group has a policy for handling and dissemination of inside information including relevant control processes and safeguards. The processes and safeguards are implemented on a monthly basis and as needed by relevant department heads and the management involved in the handling and dissemination of inside information.

D. ACCOUNTABILITY AND AUDIT

The Directors were provided with major financial information and the related explanation and information of the Company that would enable them to make an informed assessment. Such information would be provided on a monthly basis which includes but not limited to the background or explanatory information relating to disclosure, budgets, forecasts and other relevant internal financial information, such as consolidated financial statements of the Company.

The Directors acknowledge their responsibility for preparing the accounts of each financial period, which should give a true and fair view of the operating results and financial conditions of the Company, and for monitoring the integrity of the Company's financial statements and corporate communications. The Directors are also aware that a balanced, clear and understandable assessment in the Company's annual and interim reports and other financial disclosures required by the Listing Rules, other regulatory and statutory requirements should be presented. In preparing the financial statements for the year ended 31 December 2019, the Directors have selected appropriate accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; and prepared accounts on a going concern basis. The reporting responsibilities of the independent external auditor of the Company regarding the consolidated financial statements of the Company for the year ended 31 December 2019 in the independent auditor's report set out on pages 87 to 92 of this annual report.

During the year, the Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Board also conducted an annual review on the effectiveness of the internal control system of the Group. Besides, the Company has been announcing the monthly sales volume figures on a voluntary basis since January 2010 to improve the information transparency.

Long-term Strategy

The Company's long-term objective is to deliver sustainable growth in Shareholders' return and become a leading global automobile group with good reputation and integrity, winning respects from its customers. The strategies employed to achieve these goals include:

- Achieving economies of scale through expansion of sales volume and production capacity;
- Increase in sales volume through broadening product range and expansion geographically in both domestic and international markets;
- Focus on quality, technology, customer services and satisfaction;
- Organic expansion to be supplemented by mergers and acquisitions and strategic alliances; and
- Preservation of its competitive strength in cost effectiveness, flexibility and intellectual property resources.

External Auditor and their Remuneration

Grant Thornton Hong Kong Limited, the independent external auditor of the Company, has declared its reporting responsibilities regarding the consolidated financial statements of the Company for the year ended 31 December 2019 in the independent auditor's report set out on pages 87 to 92 of this annual report.

In 2019, there was no disagreement between the Board and the Audit Committee on the re-appointment of Grant Thornton Hong Kong Limited as well as their fees and terms of engagement after the assessment of their independence and objectivity conducted by the Audit Committee. Grant Thornton Hong Kong Limited will hold office until re-election by the Shareholders at the forthcoming annual general meeting of the Company.

For the year ended 31 December 2019, the remuneration for the provision of audit and non-audit services by the auditor (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) to the Group was as follows:

	2019 RMB'000
Audit Service	
Annual audit	**7,498**
Non-audit Services	
Interim review	**665**
Issue of perpetual capital securities	**433**
Connected transaction on disposal of subsidiaries*	**20**
	1,118
Total	**8,616**

*: Please refer to the Company's announcement dated 26 November 2019.

E. COMPANY SECRETARY

The Company Secretary is an employee of the Company and is involved in the Company's affairs. He took more than 15 hours' professional training for the year ended 31 December 2019.

Reporting to the Chairman and/or the CEO, the Company Secretary plays an important role in ensuring proper Board procedures are tailored to the Company's business needs and compliance with all applicable laws, rules and regulations. The Directors could obtain advice and services from the Company Secretary for any updates and developments in corporate governance, applicable laws and regulations when necessary. Upon reasonable request by the Directors, the Company Secretary is delegated by the Board to seek independent professional advice in appropriate circumstances at the Company's expense to assist the Directors in discharging their duties.

The Company Secretary, as delegated by the Chairman, is responsible for preparing meeting agendas and serving notices to the Board and its committees at least 14 days before the regular meetings or at a reasonable time for other ad hoc meetings, as well as ensuring the management's provision of relevant Board papers to the Directors at least 3 days before the meetings. By doing so, the Directors would receive adequate, accurate, clear, complete and reliable information in a timely manner for effective and informed decision making.

The Company Secretary also ensures that the meetings of the Board and its committees are convened and constituted in accordance with all applicable laws, regulations and the procedural requirements set out in the Articles of Association and/or the relevant terms of reference at all times. In addition, the Company Secretary will take minutes of the meetings and circulate them to the Directors for comments at a reasonable time after the meetings. Minutes of the meetings record in sufficient detail the matters considered and decisions reached, including any concerns raised or dissenting views expressed by Directors. After incorporating Directors' comments, the executed version of the minutes will be maintained by the Company Secretary and are available for Directors' inspection upon request.

F. SHAREHOLDERS' RIGHTS

The Company had posted the Shareholders' Communication Policy, which sets out its policy of maintaining communications with Shareholders, Shareholders' rights and the procedures that Shareholders can use to propose a person for election as a Director, on its website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" for Shareholders' inspection.

How can Shareholders convene an extraordinary general meeting and put forward proposals at the general meetings?

All general meetings other than the annual general meeting are called extraordinary general meetings. An extraordinary general meeting may be convened at the request of Shareholders under the following conditions:

1. On the written requisition of any two or more Shareholders holding as at the date of the requisition not less than 10 per cent of the paid-up capital of the Company which carries the right of voting at a general meeting of the Company;

2. The requisition must specify the objects of the meeting, be signed by the requisitionists, and be deposited at the principal place of business of the Company in Hong Kong as set out on page 224 of this annual report under the section headed "Corporate Information";

3. If the Board does not within 21 days from the date of deposit of the requisition proceed to convene the meeting to be held within a further 21 days, the requisitionist(s) representing more than one-half of their total voting rights in aggregate may convene the general meeting themselves, provided that any meeting so convened will not be held after the expiration of three months from the date of deposit of the requisition;

4. The requisitionist(s) must convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board will be reimbursed to them by the Company; and

5. If the Board fails to give Shareholders sufficient notice (i.e. not less than 21 days for the annual general meeting and/or for passing of special resolution(s) at the extraordinary general meeting, or not less than 14 days for passing of ordinary resolution(s) at the extraordinary general meeting), the meeting is deemed not to have been duly convened.

If Shareholders would like to put forward proposals at the general meetings, they have to sign a written proposal specifying the details of the proposal and their contact details (e.g. name, telephone number, email address, etc.) and addressing it to the Board (care of the Company Secretary) then deposit it at the Company's principal place of business in Hong Kong, not less than 32 days before the upcoming general meeting at the time. The Board will take into account the details of the proposal and reply to the Shareholders concerned by writing of when and how the proposal is considered, or if applicable, why the proposal not accepted in due course. Contact details of the Company's principal place of business are set out on page 224 of this annual report under the section headed "Corporate Information".

Enquiries to be properly directed to the Board

The Company's Investor Relations Department being led by an executive Director, namely Mr. Ang Siu Lun, Lawrence ("Mr. Ang"), is responsible for responding to general enquiries on the Company's business operations from Shareholders. Mr. Ang is delegated by the Board to handle enquiries from the Shareholders and report to the Board on enquiries gathered for further discussions from time to time, so as to ensure that those enquiries are properly directed.

When dealing with enquiries, the Investor Relations Department of the Company is in strict compliance with the internal policy of the Company on inside information at all times. Contact details of the Company's principal place of business are set out on page 224 of this annual report under the section headed "Corporate Information".

Communication with Shareholders

CP E.1.2 provides that the Chairman and the chairman of respective Board committees should attend the annual general meeting of the Company. During the year ended 31 December 2019, the Chairman did not attend the annual general meeting of the Company due to conflict of his schedules and other prior business engagement in the PRC. If the Chairman could not attend the general meeting of the Company, he would assign an executive Director, who does not have a material interest in the businesses contemplating in the meeting and should report to him on any enquiries Shareholders might have, to attend such general meeting on his behalf. Further, the Company would facilitate a conference call for Shareholders and the Directors who are unable to attend in person (including the Chairman) to discuss any specific enquiries with respect to the businesses contemplating in the general meeting. Through these measures, views of the Shareholders would be properly communicated to the Board as a whole. In addition, the external auditor will be invited to attend the annual general meeting of the Company to answer questions about the conduct of the audit, the preparation and content of the auditor's report, accounting policies and auditor's independence.

The Company held its annual general meeting ("AGM") on 27 May 2019. Due to conflict of his schedules and other prior business engagement in the PRC, Mr. Li Shu Fu, the Chairman, was unable to attend the general meeting but he assigned an executive Director to report to him on any enquiries the Shareholders might have after the meeting. Two executive Directors, one independent non-executive Director and the Company's external auditor attended and answered questions raised by the Shareholders at the meeting physically. Two independent non-executive Directors, one non-executive Director and four executive Directors participated the meeting via conference call. Record of the attendance of the relevant Directors who physically attended the AGM or participated via conference call is set out on page 37 of this report.

Voting by Poll

For any resolutions proposed by the Company at the general meetings, bundling resolutions should be avoided. The Listing Rules stipulate that any vote of shareholders at all general meetings would be all taken by poll except where the chairman of the general meetings, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted by a show of hands.

The chairman of the general meetings will ensure that an explanation is provided with the detailed procedures for conducting a poll and answer any questions from the Shareholders on voting by poll to ensure that they are familiar with the procedures.

The Company arranges for the notice to Shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.

Policy on Payment of Dividends

Subject to the Cayman Companies Law, the Company may from time to time in general meeting declares dividends in any currency to be paid to the members of the Company whose names appear on the register of members of the Company on a pre-determined date at the Board's discretion as the record date for the purpose of determining the entitlement to receive payment of any dividend but no dividend shall be declared in excess of the amount recommended by the Board.

The Board may also, without convening a general meeting, from time to time declare interim dividends as appear to the Board to be justified by the profits of the Company, and, in particular (but without prejudice to the generality of the foregoing), if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend. The Board may also pay half-yearly or at other intervals to be selected by it any dividend which may be payable at a fixed rate if the Board is of the opinion that the profits available for distribution justify the payment. The Board may in addition from time to time declare and pay special dividends on shares of any class of such amounts and on such dates as they think fit.

No dividend shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution, including share premium. No dividend shall carry interest against the Company. The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for meeting claims on or liabilities of the Company or contingencies or for paying off any loan capital or for equalising dividends or for any other purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit, and so that it shall not be necessary to keep any reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute by way of dividend.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment. In case of the Board elects to pay the dividend in shares, the Company shall abide by the provisions of the articles of association of the Company on scrip dividends.

G. INVESTOR RELATIONS

Constitutional documents of the Company

The Company's memorandum and articles of association is maintained on its website (http://www.geelyauto.com.hk) under the "Investor Centre" of the section headed "Environmental, Social and Corporate Governance" and on the website of the Stock Exchange (http://www.hkexnews.hk) for Shareholders' inspection. During the year, no changes have been made to the Company's memorandum and articles of association.

Details of substantial Shareholders by aggregate shareholding

Details of Shareholders having a substantial interest in the Company's securities as defined in the Securities and Futures Ordinance as at 31 December 2019 are set out on pages 66 to 67 of this annual report.

Details of the last AGM and EGMs in 2019

Event Date & Time	Venue	Major items discussed	Voting results
AGM on 27 May 2019 (Monday) at HKT 4:00 p.m.	Regus Conference Centre, 35/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong	(i) received and considered report of the directors, audited financial statements and auditor's report (ii) declared a final dividend (iii) re-election of directors (iv) authorised the Board to fix the remuneration of the directors (v) re-appointed Grant Thornton Hong Kong Limited as the auditor of the Company (vi) granted a general mandate to the directors to issue and allot new shares	all resolutions were duly passed by the Shareholders as ordinary resolutions by way of poll

Event Date & Time	Venue	Major items discussed	Voting results
EGM on 15 March 2019 (Friday) at HKT 4:00 p.m.	Room 2301, 23/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	approved, ratified and confirmed the renewal of Volvo Financing Arrangements, including the respective annual caps under the Volvo Finance Cooperation Agreements (details are set out in the Company's circular dated 26 February 2019)	the resolution was duly passed by the independent Shareholders as an ordinary resolution by way of poll
EGM on 10 June 2019 (Monday) at HKT 4:00 p.m.	Room 2301, 23/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	approved, ratified and confirmed the YW Acquisition Agreement (details are set out in the Company's circular dated 22 May 2019) and the transactions contemplated thereunder	the resolution was duly passed by the independent Shareholders as an ordinary resolution by way of poll

Indication of important dates for the Shareholders in 2020/2021

Event		Date
Closure of the Company's register of members ("Book Close") for entitlement of voting rights at the forthcoming annual general meeting	:	20 May 2020 (Wednesday) to 25 May 2020 (Monday)
Forthcoming annual general meeting	:	25 May 2020 (Monday) at HKT 4:00 p.m. at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Ex-final dividend	:	28 May 2020 (Thursday)
Book Close for entitlement of final dividend	:	1 June 2020 (Monday) to 4 June 2020 (Thursday)
Record date for final dividend entitlement	:	4 June 2020 (Thursday)
Final dividend distribution	:	July 2020
2020 interim results announcement	:	Late August 2020 ***(to be confirmed)***
Financial year end	:	31 December 2020 (Thursday)
2020 annual results announcement	:	Late March 2021 ***(to be confirmed)***

DIRECTORS' REPORT

The directors of the Company (the "Directors") present their annual report together with the audited consolidated financial statements of Geely Automobile Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 41 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement and consolidated statement of comprehensive income on page 93 and page 94, respectively of the annual report. The directors recommend the payment of a final dividend of HK$0.25 per ordinary share to the shareholders on the register of members on 4 June 2020, amounting to approximately RMB2,057,746,000.

BUSINESS REVIEW

A fair review of the Group's business including an analysis using financial key performance indicators and the likely future development in the Group's business is set out in the Chairman's Statement on pages 7 to 9 and the Management Report – Performance & Governance on pages 11 to 24 of this annual report. An account of the Group's key relationships with its customers and suppliers, and on which the Group's success depends is set out on page 82 of this annual report and notes 21 and 23 to the consolidated financial statements. Such disclosure forms part of this directors' report.

Particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2019 are set out in the Management Report – Performance & Governance on pages 11 to 24.

The principal risks and uncertainties facing the Group are discussed below:

1. **It is not certain that the Group may be able to identify or offer popular models to meet changing trends and consumer demands, or to gain market acceptance of the new models**

   Market trends, consumer demands and needs in the markets where the Group operates change and depend upon various factors, some of which are beyond the Group's control, such as prevailing economic conditions, consumption patterns, disposable income and inherent uncertainty in market. It is believed that the Group's ability to anticipate, identify and respond to those trends in a timely manner is critical to the Group's success. However, it is uncertain that the Group may accurately anticipate the shifts in customer needs, or fail to timely offer new models that meet those changing trends.

   To broaden the Group's model portfolio, the Group plans to continue upgrading its existing models, and in the meantime, to develop new models. The Group plans to launch several new models in 2020 whilst a series of new models to be innovated from the technologies of a modular architecture and set of components based upon its platform strategy, standardization, and shared modularization in product development is scheduled to be launched in the coming years. In the future, the Group plans to provide more advance powertrain options to its customers. However, it is not assured that the Group's model development will accurately reflect the prevailing market trends or customer needs at any given time, or that the new models to be launched will be well received by the market. If the new models fail to gain market acceptance, the Group's brand image, business, financial condition, results of operations and prospects will be materially and adversely affected.

2. It is not certain that the Group's research and development capabilities, on which the Group's continued growth depends, and its research and development efforts may be successful

The automobile market is characterised by changing technologies, periodic new model introductions and evolving end-user customer and industry requirements. The Group's competitors are continuously developing automobiles that have adopted advanced technologies to operate more efficiently and cost effectively. The Group's continued success, therefore, depends on its ability to continue developing new products that can successfully compete with those offered by the Group's competitors in terms of design, performance and price, which, in turn, depends largely on its research and development capabilities. In addition, the Group's research and development efforts may not be successful or yield the anticipated level of economic benefits. Even if the Group's research and development efforts are successful, the Group may not be able to apply these newly developed technologies to products that will be accepted by the market or apply them in a timely manner to take advantage of the opportunities presented in the market.

The Group has strengthened the technological cooperation with Volvo Car Corporation ("Volvo Car"), which is majority-owned by the Group's parent company, Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司 or "Geely Holding"), and has so far achieved remarkable progress in this regard. The cooperation enables both parties to further optimizing resource utilization, and speed up the implementation of platform strategy, standardization, and shared modularization in product development, which, in turn, a new modular architecture and set of components have been established; based upon which, a series of new models of the Group will be introduced to strengthen the Group's competitiveness in the automobile market. In the meantime, the Group will speed up its products offering on new energy vehicles to prepare itself for the challenge of the stringent statutory requirement on fuel consumption standard in the future and the booming new energy vehicle market.

3. The Group is subject to product liability exposure which could harm its reputation and materially and adversely affect its business, financial condition and results of operations

The Group's products can be exposed to potential product liability claims if they fail to perform as expected, or are proven to be defective, or if their use causes, results in or is alleged to have caused or resulted in personal injuries, project delays or damage or other adverse effects. The Group currently does not maintain product liability insurance to cover potential product liability arising from the use of its products and may be unable to obtain sufficient product liability insurance coverage on commercially reasonable terms, or at all. Furthermore, certain product liability claims may be the result of defects from parts and components purchased from third party suppliers. Such third party suppliers may not indemnify the Group for defects as to such parts and components or would only provide the Group with limited indemnification that is insufficient to cover the Group's damages resulting from the product liability claim.

Product liability claims, with or without merit, may result in significant negative publicity and thus materially and adversely affect the marketability of the Group's products and its reputation, as well as its business, financial condition and results of operations. Moreover, a material design, manufacturing or quality-related failure or defect in the Group's products or other safety issues could warrant a product recall by the Group and result in increased product liability claims. If authorities in the jurisdictions in which the Group sells its products decide that its products fail to conform to applicable quality and safety requirements and standards, the Group could be subject to regulatory actions.

The Group regularly monitors the quality of its products via the collection of quality feedback from its customers and conduct of extensive product testing. Protective measures such as product recalls will be taken to rectify any concerns if product quality issues were to be found to mitigate further warranty liability and ensure the compliance of the relevant product safety regulations. The Group will continuously strengthen the selection of suppliers to ensure high quality automobile components are used to minimise the occurrence of product quality and safety issues.

4. The Group's business, financial condition and results of operations may be materially and adversely affected if it fails to manage its purchase costs or obtain raw materials, parts and components on a timely basis or at reasonable prices

Although the Group usually sources important raw materials and parts and components from multiple suppliers in order to achieve a stable supply, it cannot assure that the suppliers can always adequately serve its needs in a timely manner or at reasonable prices. If there is any significant increase in the prices of raw materials, parts or components or if their supply is disrupted, the Group may incur additional costs to maintain its production schedules, which, in turn, may decrease its profitability and materially and adversely affect its business, financial condition and results of operations.

In order to remain competitive, the Group tries to manage the costs efficiently and aims to produce products at competitive costs. The Group has plan to further reduce the costs in purchasing raw materials, parts and components for production through the implementation of cost control policies such as streamlining the supply chain and localization of production.

5. Increasing competition in the PRC automobile market and volatility of consumer demand could have a material adverse effect on the Group's ability to maintain competitiveness

Increasing consumer purchasing power in the PRC has resulted in significant growth in the demand for automobiles. Such growth in the automobile market has encouraged, and is likely to continue to encourage, foreign competitors, sino-foreign equity joint ventures established in the PRC and new domestic automobiles companies to further expand their production capacity. The Group's current market share and profit margin may be diluted or reduced if there is increasing competition for vehicles or further price reductions caused by increased competition. The pricing, recognition and loyalty to the Group's brand of products and the financial and technical resources allocated to the Group's products may be materially and adversely affected if competing automobile products, domestic or foreign, gain a competitive advantage.

The demand for automobiles in China and the rest of the world is cyclical in nature and is affected by various factors, including sales and financing incentives, costs of raw materials, parts and components, cost of fuel, environmental concerns and governmental regulations, including tariffs, import regulation and other taxes. Fluctuations in demand may lead to lower vehicle sales and increased inventory, which may result in further downward price pressure which will inevitably adversely affect the Group's financial condition and results of operations.

Over the years, the Group has increased the Group's production capacities in anticipation of a continuous increase in demand for automobiles in the PRC. Any slowdown in demand for automobiles and the intense competition in the PRC may lead to an inventory surplus and could result in a significant under-utilization of the Group's production capacity, which would in turn, result in diminished returns to the substantial resources invested in the expansion of the Group's production capacities. If these events occur, the Group's results of operations and financial condition could be materially and adversely affected.

On the other hand, the market response to the Group's products may exceed the Group's expectation. Thus, the Group may not have sufficient production capacity to fulfil the customers' demands and as a result, suffer from loss of revenue as the Group cannot deliver the products in a timely manner.

The Group is committed to continuously develop products with improvement in quality and more advanced technologies and powertrain as well as enhancing its production efficiency. A series of new products to be developed from the aforementioned technologies of the new modular architecture and set of components, and new energy vehicle products will broaden the Group's model portfolio. Meanwhile, the Group has a robust sales and marketing strategy to respond to the dynamic market. Diversified campaigns and extensive development of sales network will continue to develop the brand image and provide better outreach to the Group's consumers.

6. The production and profitability of the PRC automobile manufacturers may be materially and adversely affected by changes in the regulatory environment

The implementation of more stringent regulatory requirements in fuel efficiency, product warranty, product recall and emissions standards in the PRC could put tremendous cost pressure on indigenous brands in the PRC. Further, more major cities in the PRC are expected to introduce local policies to restrict new car licenses to ease traffic and combat air pollution, thus restricting the demand for passenger vehicles. The impact could be even bigger for indigenous brands, where their major competitive edges in pricing could be seriously undermined by the introduction of an auction and lottery system to curb the growth of new vehicles.

The Group is committed to its new energy vehicles strategy to respond to the challenge in the fuel efficiency and emission standards as well as taking advantage of the exemption of auction and lottery system granted to the new energy vehicles. The Group will also continue its development in powertrain technologies on the conventional vehicles to comply with the regulatory requirements.

The Group continues its company mission of "Make good cars that are the safest, most environment-friendly and most efficient. Let Geely cars go around the whole world." with an aim to build up the core value of "Happy Life, Geely Drive!". The Group hopes to demonstrate its insight on the sustainable development of vehicle market, national economy and society and present happiness to every individual. In this respect, the Group details its manufacture from strength to strength through research and development on and design of vehicles. For the year ended 31 December 2019, the Group complied with the relevant laws and regulations that have a significant impact on the Group.

Environment-friendly performance of complete buildup units has always been the one of the priorities of Geely. The Group pursues excellent environment-friendly performance for each of its products by conducting in-depth researches on and exercising rigorous controls in terms of power research and development, vehicle recycling and environmental adaptation in compliance with national standards. The requirements of our complete buildup units are stricter than that of the national standards. In November 2015, the Group announced the "Blue Geely" initiative, a new energy strategy, which is in line with the international development and central government's efforts put in response to environmental problems. The Group believes that development of new energy vehicles is the right way for sustainability.

The Group keeps watch on the environment-friendly performance of its complete buildup unit products in terms of product research and development and technology. Moreover, it also realises energy-saving and emission reduction to each of its production and operating area. Choosing locations with scientific approach, harnessing energy-saving technologies and standardizing emission management, the Group mitigates the pressure exerted to the external during the course of its operation.

In addition to refining the Group's business strategies, the development goal requires participation of every staff member, customer, supplier and stakeholder. The Group hopes to become the pioneer to demonstrate the sustainable development of the vehicle industry, national economy and society.

The particulars of the Group's environment protection policies, behavior and compliance with the relevant laws and regulations that impose material influence on the Group are set out in Corporate Social Responsibility Report (also known as "Environmental, Social and Governance Report") of Geely Holding which will be published on the website of Stock Exchange and the websites of Geely Holding and the Company within three months after the publication of the annual report.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2020 to 25 May 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to establish entitlements of attending and voting at the forthcoming annual general meeting of the Company to be held on 25 May 2020, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on 19 May 2020.

The register of members of the Company will be closed from 1 June 2020 to 4 June 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on 29 May 2020.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 3 of the annual report.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the year, details of movements in the property, plant and equipment and intangible assets of the Group are set out in notes 14 and 15, respectively, to the consolidated financial statements.

SHARE CAPITAL

During the year, details of the share capital of the Company are set out in note 26 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2019 are set out in notes 24 and 29, respectively, to the consolidated financial statements.

RETIREMENT SCHEMES

Particulars of the retirement schemes are set out in note 32 to the consolidated financial statements.

RESERVES

During the year, details of the movements in the reserves of the Group and the reserves of the Company are set out in the consolidated statement of changes in equity on page 98 and on page 212 of the annual report, respectively.

As at 31 December 2019, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB2,992,831,000 (2018: RMB3,337,594,000). After the reporting date, the directors proposed a final dividend of HK$0.25 (2018: HK$0.35) per ordinary share amounting to RMB2,057,746,000 (2018: RMB2,767,091,000). The final dividend proposed has not been recognised as a liability at the reporting date as set out in note 11 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Li Shu Fu *(Chairman)*
Mr. Yang Jian *(Vice Chairman)*
Mr. Li Dong Hui, Daniel *(Vice Chairman)*
Mr. Gui Sheng Yue *(Chief Executive Officer)*
Mr. An Cong Hui
Mr. Ang Siu Lun, Lawrence
Ms. Wei Mei

Non-executive director:

Mr. Carl Peter Edmund Moriz Forster
(Resigned on 21 August 2019)

Independent non-executive directors:

Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex
Mr. An Qing Heng
Mr. Wang Yang

In accordance with Article 116 of the Company's Articles of Association, Mr. Li Shu Fu, Mr. Li Dong Hui, Daniel, Mr. Lee Cheuk Yin, Dannis and Mr. Wang Yang shall retire by rotation and being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company. No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The independent non-executive directors all have a fixed term of 3-year service and will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and short positions of the directors in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO, including interest and short positions which they were deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

(I) Interests and short positions in the shares of the Company

Name of director	Nature of interests	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding
		Long position	*Short position*	*(%)*
Shares				
Mr. Li Shu Fu *(Note 1)*	Interest in controlled corporations	4,019,478,000	–	43.86
Mr. Li Shu Fu	Personal	23,140,000	–	0.25
Mr. Yang Jian	Personal	6,000,000	–	0.07
Mr. Li Dong Hui, Daniel	Personal	2,104,000	–	0.02
Mr. Gui Sheng Yue	Personal	14,585,000	–	0.16
Mr. An Cong Hui	Personal	4,966,000	–	0.05
Mr. Ang Siu Lun, Lawrence	Personal	4,000,000	–	0.04
Mr. Lee Cheuk Yin, Dannis	Personal	900,000	–	0.01
Mr. Wang Yang	Personal	1,000,000	–	0.01

Note:

1. Proper Glory Holding Inc. ("Proper Glory") and its concert parties in aggregate hold interests of 4,019,478,000 shares, representing approximately 43.86% of the total issued share capital of the Company as at 31 December 2019. Proper Glory is a private company incorporated in the British Virgin Islands and is owned as to 68% by Geely Holding and as to 32% by Geely Group Limited.

(II) Interests and short positions in the derivatives of the Company

Name of director	Nature of interests	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding
		Long position	*Short position*	*(%)*
Share Options				
Mr. Li Dong Hui, Daniel	Personal	1,400,000 *(Note 1)*	–	0.02
Ms. Wei Mei	Personal	1,000,000 *(Note 1)*	–	0.01

Note:

(1) The interest relates to share options granted on 23 March 2012 by the Company to the Directors. The share options are exercisable at a subscription price of HK$4.07 for each Share during the period from 23 March 2012 to 22 March 2022. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as at 31 December 2019.

(III) Interests and short positions in the securities of the associated corporations of the Company

Name of director	Name of the associated corporations	Number of shares in the associated corporations		Approximate percentage of shareholding
		Long position	*Short position*	*(%)*
Mr. Li Shu Fu	Proper Glory Holding Inc.	*(Note 1)*	–	*(Note 1)*
Mr. Li Shu Fu	Geely Group Limited	50,000	–	60
Mr. Li Shu Fu	Zhejiang Geely Holding Group Company Limited	*(Note 2)*	–	*(Note 2)*
Mr. Li Shu Fu	Zhejiang Geely Automobile Company Limited	*(Note 3)*	–	*(Note 3)*
Mr. Li Shu Fu	Shanghai Maple Automobile Company Limited	*(Note 4)*	–	*(Note 4)*
Mr. Li Shu Fu	Zhejiang Haoqing Automobile Manufacturing Company Limited	*(Note 5)*	–	*(Note 5)*
Mr. Li Shu Fu	Zhejiang Jirun Automobile Company Limited	*(Note 6)*	–	*(Note 6)*
Mr. Li Shu Fu	Shanghai Maple Guorun Automobile Company Limited	*(Note 7)*	–	*(Note 7)*
Mr. Li Shu Fu	Zhejiang Ruhoo Automobile Company Limited	*(Note 8)*	–	*(Note 8)*

Name of director	Name of the associated corporations	Number of shares in the associated corporations Long position	Short position	Approximate percentage of shareholding (%)
Mr. Li Shu Fu	Hunan Geely Automobile Components Company Limited	*(Note 9)*	–	*(Note 9)*
Mr. Li Shu Fu	Chengdu Gaoyuan Automobile Industries Company Limited	*(Note 10)*	–	*(Note 10)*
Mr. Li Shu Fu	Baoji Geely Automobile Components Company Limited	*(Note 11)*	–	*(Note 11)*
Mr. Li Shu Fu	Shanxi Geely Automobile Components Company Limited	*(Note 12)*	–	*(Note 12)*
Mr. Li Shu Fu	Zhejiang Jirun Chunxiao Automobile Components Company Limited	*(Note 13)*	–	*(Note 13)*

Notes:

(1) Proper Glory Holding Inc. is a private company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited ("Geely Holding") and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is owned as to 60% by Mr. Li Shu Fu, as to 35.85% by Mr. Li Xu Bing, an elder brother of Mr. Li Shu Fu, and as to 4.15% by Mr. An Cong Hui, an executive director of the Company. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(2) Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(3) Zhejiang Geely Automobile Company Limited ("Zhejiang Geely") is a private company incorporated in the PRC and is owned as to 88.32% by Geely Holding and as to 11.68% by other Mr. Li Shu Fu's interested entities.

(4) Shanghai Maple Automobile Company Limited ("Shanghai Maple Automobile") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(5) Zhejiang Haoqing Automobile Manufacturing Company Limited ("Zhejiang Haoqing") is a private company incorporated in the PRC and is owned as to 98.5% by Geely Holding and as to 1.5% by other Mr. Li Shu Fu's interested entities.

(6) Zhejiang Jirun Automobile Company Limited ("Jirun Automobile") is incorporated in the PRC and is 1%-owned by Zhejiang Geely.

(7) Shanghai Maple Guorun Automobile Company Limited ("Shanghai Maple Guorun") is incorporated in the PRC and is 1%-owned by Shanghai Maple Automobile.

(8) Zhejiang Ruhoo Automobile Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing.

(9) Hunan Geely Automobile Components Company Limited is incorporated in the PRC and is 1%-owned by Zhejiang Haoqing.

(10) Chengdu Gaoyuan Automobile Industries Company Limited is a private company incorporated in the PRC and is owned as to 90% by Jirun Automobile and as to 10% by Shanghai Maple Guorun.

(11) Baoji Geely Automobile Components Company Limited is a private company incorporated in the PRC is 1%-owned by Zhejiang Geely.

(12) Shanxi Geely Automobile Components Company Limited is a private company incorporated in the PRC is 1%-owned by Zhejiang Geely.

(13) Zhejiang Jirun Chunxiao Automobile Components Company Limited is a private company incorporated in the PRC is 1%-owned by Zhejiang Geely.

Save as disclosed above, as at 31 December 2019, none of the Directors nor the chief executives of the Company and their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of the SFO) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV and the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which are required, (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which are required, (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of listed issuers contained in the Listing Rules.

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF OTHER PERSONS

As at 31 December 2019, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as is known to the Directors or the chief executives of the Company, the persons, other than the Directors or the chief executives of the Company, who had interests or a short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and any other members of the Group and the amount of each of such persons' interests in such securities, together with any options in respect of such capital, were as follows:

Substantial shareholders (as defined in the SFO)

Name	**Nature of interests**	**Number of shares held**		**Approximate percentage of shareholding**
		Long position	*Short position*	*(%)*
Proper Glory Holding Inc. *(Note 1)*	Beneficial owner	2,636,705,000	–	28.76
Geely Holding *(Note 1)*	Interest in controlled corporation	4,019,391,000	–	43.85
Geely Group Limited *(Note 1)*	Beneficial owner	87,000	–	0.001
	Interest in controlled corporation	2,636,705,000	–	28.76
Zhejiang Geely *(Note 2)*	Beneficial owner	796,562,000	–	8.69

Notes:

(1) Proper Glory Holding Inc. ("Proper Glory") is a private company incorporated in the British Virgin Islands and is owned as to 68% by Zhejiang Geely Holding Group Company Limited ("Geely Holding") and as to 32% by Geely Group Limited. Geely Group Limited is a private company incorporated in the British Virgin Islands and is owned as to 60% by Mr. Li Shu Fu, as to 35.85% by Mr. Li Xu Bing, a brother of Mr. Li Shu Fu, and as to 4.15% by Mr. An Cong Hui, an executive director of the Company. Geely Holding is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

(2) Zhejiang Geely Automobile Company Limited ("Zhejiang Geely") is a private company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

Mr. Li Shu Fu is a director of each of Proper Glory, Geely Holding, Zhejiang Geely and Geely Group Limited. Mr. Yang Jian is a director of each of Geely Holding and Zhejiang Geely. Mr. Li Dong Hui, Daniel is a director of Geely Holding. Mr. An Cong Hui is a director of each of Geely Holding and Zhejiang Geely.

Save as disclosed above, as at 31 December 2019, the directors and the chief executives of the Company are not aware of any other person (other than the directors and the chief executives of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and of any other member of the Group.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

SHARE OPTIONS

Particulars of the Company's share option scheme and the accounting policy are set out in notes 33 and 4(o) to the consolidated financial statements, respectively.

The following table discloses movements in the Company's share options during the year:

	Exercisable period	Exercise price *HK$/share*	Outstanding as at 1.1.2019	Granted during the year	Exercised during the year	Forfeited during the year	Transferred upon resignation during the year	Outstanding as at 31.12.2019
Directors								
Mr. Yang Jian	18.1.2010 – 17.1.2020	4.07	9,000,000	–	(9,000,000)	–	–	–
Mr. Li Dong Hui, Daniel	23.3.2012 – 22.3.2022	4.07	3,500,000	–	(2,100,000)	–	–	1,400,000
Mr. Gui Sheng Yue	18.1.2010 – 17.1.2020	4.07	11,500,000	–	(11,500,000)	–	–	–
	9.1.2016 – 8.1.2020	2.79	6,000,000	–	(6,000,000)	–	–	–
Mr. An Cong Hui	18.1.2010 – 17.1.2020	4.07	4,700,000	–	(4,700,000)	–	–	–
Mr. Ang Siu Lun, Lawrence	18.1.2010 – 17.1.2020	4.07	11,000,000	–	(11,000,000)	–	–	–
	9.1.2016 – 8.1.2020	2.79	5,000,000	–	(5,000,000)	–	–	–
Ms. Wei Mei	18.1.2010 – 17.1.2020	4.07	900,000	–	(900,000)	–	–	–
	23.3.2012 – 22.3.2022	4.07	5,000,000	–	(4,000,000)	–	–	1,000,000
Mr. Carl Peter Edmund Moriz Forster	9.1.2016 – 8.1.2020	2.79	1,000,000	–	(400,000)	–	(600,000)	–
Mr. Lee Cheuk Yin, Dannis	18.1.2010 – 17.1.2020	4.07	100,000	–	(100,000)	–	–	–
	9.1.2016 – 8.1.2020	2.79	250,000	–	(250,000)	–	–	–
Mr. Yeung Sau Hung, Alex	18.1.2010 – 17.1.2020	4.07	100,000	–	(100,000)	–	–	–
	9.1.2016 – 8.1.2020	2.79	250,000	–	(250,000)	–	–	–
Mr. An Qing Heng	9.1.2016 – 8.1.2020	2.79	630,000	–	(630,000)	–	–	–
Mr. Wang Yang	9.1.2016 – 8.1.2020	2.79	1,000,000	–	(1,000,000)	–	–	–

	Exercisable period	Exercise price *HK$/share*	Outstanding as at 1.1.2019	Granted during the year	Exercised during the year	Forfeited during the year	Transferred upon resignation during the year	Outstanding as at 31.12.2019
Continuous contract employees	18.1.2010 – 17.1.2020	4.07	150,134,000	–	(115,632,000)	(370,000)	–	34,132,000
	21.4.2010 – 20.4.2020	4.07	4,210,000	–	(150,000)	–	–	4,060,000
	23.3.2012 – 22.3.2022	4.07	5,850,000	–	(650,000)	–	–	5,200,000
	9.1.2016 – 8.1.2020	2.79	7,670,000	–	(7,670,000)	–	–	–
	2.6.2016 – 1.6.2020	4.08	800,000	–	(500,000)	–	–	300,000
	7.9.2019 – 6.9.2023	15.96	600,000	–	–	–	–	600,000
Other eligible participants	9.1.2016 – 8.1.2020	2.79	–	–	(600,000)	–	600,000	–
	2.6.2016 – 1.6.2020	4.08	11,450,000	–	(3,253,000)	–	–	8,197,000
	31.3.2018 – 30.3.2022	12.22	5,500,000	–	–	–	–	5,500,000
			246,144,000	–	(185,385,000)	(370,000)	–	60,389,000

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year was the Company, its holding companies or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

Subject to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and the Companies Law of the Cayman Islands, every director is entitled under the Company's articles of association to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he or she may sustain or incur in or about the execution or discharge of his or her duties and/or the exercise of his or her powers and/or otherwise in relation to or in connection with his or her duties, powers or office. To the extent permitted by law, the Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of companies in the Group during the year and up to the date of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of transactions between the Group and other companies under the control of Mr. Li Shu Fu during the year are set out in note 34 to the consolidated financial statements.

Save as disclosed above, no other transaction, arrangement or contract of significance to which the Company, any of its holding companies, its subsidiaries, or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS & CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into certain related party transactions which also constitute connected transactions under Chapter 14A of the Listing Rules. All the connected transactions and continuing connected transactions with disclosure requirements under the Listing Rules during the year were listed below and these transactions were also set out in note 34 to the consolidated financial statements. The directors of the Company confirm they have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Acquisition of the entire registered capital of the YW Geely

Pursuant to the acquisition agreement dated 29 April 2019, 浙江吉利動力總成有限公司 (Zhejiang Geely Powertrain Company Limited or "Zhejiang Powertrain"), an indirect 99.1% owned subsidiary of the Company, entered into a transaction with 義烏吉利發動機有限公司 (Yiwu Geely Engine Company Limited or "Yiwu Engine"), pursuant to which Zhejiang Powertrain agreed to acquire and Yiwu Engine agreed to sell the entire issued share capital of 義烏吉利動力總成有限公司 (Yiwu Geely Powertrain Company Limited or "YW Geely") for a cash consideration of approximately RMB322.2 million. Such acquisition had been subsequently approved by the independent shareholders of the Company at the extraordinary general meeting on 10 June 2019.

Disposal of entire registered capital of Jinan Geely

Pursuant to the disposal agreement dated 26 November 2019, 浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited or "Jirun Automobile"), and 上海華普國潤汽車有限公司 (Shanghai Maple Guorun Automobile Company Limited or "Shanghai Maple Guorun"), both indirect 99% owned subsidiaries of the Company, entered into a transaction with 浙江吉利汽車實業有限公司 (Zhejiang Geely Automobile Industry Company Limited or "Geely Industry") pursuant to which Jirun Automobile and Shanghai Maple Guorun agreed to dispose of and Geely Industry agreed to acquire the entire registered capital of 濟南吉利汽車有限公司 (Jinan Geely Automobile Company Limited or "Jinan Geely") at the cash consideration of approximately RMB507.1 million.

Licensing of the intellectual properties on GEP3 Engine

Pursuant to the licensing agreement dated 26 November 2019, the Company entered into a transaction with 浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited or "Geely Holding"), pursuant to which the Group agreed to license the intellectual properties to Geely Holding Group for the design, development, manufacture, sale, marketing and distribution of the licensed engine (i.e. GEP3 engine) and related parts and components within the licensed regions during the licensed period. Pursuant to the licensing agreement, Geely Holding Group is permitted to sub-license the intellectual properties only to the Proton Group for the aforesaid purposes during the licensed period. The total license fee for the intellectual properties is RMB300,000,000.

CONTINUING CONNECTED TRANSACTIONS

1. **Services agreement between the Company and Geely Holding (the services agreement has an effective term until 31 December 2021)**

   - ***Sales of complete knock down kits ("CKDs") from the Group to the Geely Holding and its subsidiaries ("Geely Holding Group")***

     Pursuant to the services agreement dated 5 October 2018, the Group agreed to supply to the Geely Holding Group the complete knock down kits ("CKDs") in accordance with the product specifications set out in the services agreement with the largest annual cap of RMB293,775,381,000 for the three years ending 31 December 2021.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB83,133 million for sales of CKDs which did not exceed the annual cap of RMB191,209 million for sales of CKDs for the year ended 31 December 2019 as approved by the Stock Exchange and the independent shareholders of the Company.

- ***Sales of complete buildup units ("CBUs"), automobile parts and components from the Geely Holding Group to the Group***

  Pursuant to the services agreement dated 5 October 2018, the Geely Holding Group agreed to sell to the Group (i) the CBUs; and (ii) automobile parts and components to the Group in accordance with the product and service specifications set out in the services agreement with the largest annual caps of (i) RMB303,907,912,000 and (ii) RMB59,076,300,000, respectively for the three years ending 31 December 2021.

  The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be (i) RMB83,345 million for purchases of the CBUs and (ii) RMB2,219 million for purchases of automobile parts and components which did not exceed the annual caps of (i) RMB192,993 million for purchases of CBUs; and (ii) RMB38,094 million for purchases of automobile parts and components for the year ended 31 December 2019 as approved by the Stock Exchange and the independent shareholders of the Company.

2. **EV agreement amongst the Company, Geely Holding and Geely Group Company Limited ("吉利集團有限公司" or "GGL") (the EV agreement has an effective term until 31 December 2021)**

   Pursuant to the EV agreement dated 5 October 2018, the Group agreed to sell the CBUs for electric vehicles to the Geely Holding Group and the GGL, together with its subsidiaries in accordance with the product and service specifications set out in the EV agreement with the largest annual cap being RMB22,060,747,000 for the three years ending 31 December 2021.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB2,717 million which, did not exceed the annual cap of RMB14,281 million for the year ended 31 December 2019 as approved by the Stock Exchange and the independent shareholders of the Company.

3. **Business travel services agreement between the Company and Geely Holding (the business travel services agreement has an effective term until 31 December 2021)**

Pursuant to the business travel services agreement dated 5 October 2018, the Geely Holding Group agreed to provide business travel and related services to the Group with the largest annual cap being RMB661,550,000 for the three years ending 31 December 2021.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB103 million which, did not exceed the annual cap of RMB357 million for the year ended 31 December 2019 as set by the Company.

4. **The Volvo finance cooperation agreements amongst Genius AFC, VCDC and ZJSH (currently renamed as 沃爾沃汽車(亞太)投資控股有限公司 (Volvo Car (Asia Pacific) Investment Holding Co., Ltd.)) (the Volvo finance cooperation agreements have an effective term until 31 December 2021) (capitalised terms were defined in the circular of the Company dated 28 January 2016)**

- ***Wholesale facility agreement between Genius AFC and Volvo wholesale dealers (the wholesale facility agreement has an effective term until 31 December 2021)***

  Pursuant to the wholesale facility agreement dated 11 December 2015 and the Company's announcement dated 24 January 2019, Genius AFC will provide vehicles financing to Volvo wholesale dealers to facilitate their purchase of Volvo-branded vehicles with the largest annual cap being RMB15,107 million for the three years ending 31 December 2021.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB1,275 million which, did not exceed the annual cap of RMB11,138 million for the year ended 31 December 2019 as approved by the Stock Exchange and the independent shareholders of the Company.

- ***Retail loan cooperation agreement between Genius AFC and Volvo retail consumers (the retail loan cooperation agreement has an effective term until 31 December 2021)***

  Pursuant to the retail loan cooperation agreement dated 11 December 2015 and the Company's announcement dated 24 January 2019, dealers of Volvo shall recommend the retail consumers to use Genius AFC for obtaining vehicle loans to finance their purchase of Volvo-branded vehicles with the largest annual cap being RMB12,045 million for the three years ending 31 December 2021.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB2,658 million which, did not exceed the annual cap of RMB7,722 million for the year ended 31 December 2019 as approved by the Stock Exchange and the independent shareholders of the Company.

5. **Kandi automobile parts supply agreement between the Company and Kandi JV (the Kandi automobile parts supply agreement has an effective term until 31 December 2021)**

   Pursuant to the Kandi automobile parts supply agreement dated 5 October 2018, the Group agreed to sell automobile parts and components to the Kandi JV with the largest annual cap being RMB384,621,000 for the three years ending 31 December 2021.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB1 million which, did not exceed the annual cap of RMB228 million for the year ended 31 December 2019 as set by the Company.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB Nil which, did not exceed the annual cap of RMB2,180 million for the year ended 31 December 2019 as set by the Company.

6. **EV CKD supply agreement between the Company and Geely Holding (the EV CKD supply agreement has an effective term until 31 December 2021)**

Pursuant to the EV CKD supply agreement dated 5 October 2018, the Group agreed to sell to the Geely Holding Group CKDs in accordance with the product specifications set out in the EV CKD supply agreement with the largest annual cap being RMB3,270,180,000 for the three years ending 31 December 2021.

7. **Powertrain sales agreement amongst the Company, 領克投資有限公司 (LYNK & CO Investment Company Limited) ("LYNK & CO") and Geely Holding (the powertrain sales agreement has an effective term until 31 December 2020)**

Pursuant to the powertrain sales agreement dated 7 November 2017, the Group agreed to sell vehicle engines, transmissions and related after-sales parts manufactured by it to LYNK & CO and its subsidiaries and the Geely Holding Group with the largest annual cap being RMB15,661,070,000 for the three years ending 31 December 2020.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB2,035 million which, did not exceed the annual cap of RMB14,557 million for the year ended 31 December 2019 as approved by the Stock Exchange and the independent shareholders of the Company.

8. **LYNK & CO finance cooperation agreement between Genius AFC and 領克汽車銷售有限公司 (LYNK & CO Auto Sales Company Limited) (the LYNK & CO finance cooperation agreement has an effective term until 31 December 2020) (capitalised terms were defined in the circular of the Company dated 8 December 2017)**

- ***Wholesale facility agreements between Genius AFC and the LYNK & CO Dealers (as defined in the circular of the Company dated 8 December 2017) (the wholesale facility agreements have an effective term until 31 December 2020)***

  Pursuant to the LYNK & CO finance cooperation agreement dated 3 November 2017, Genius AFC will provide vehicle financing to the LYNK & CO Dealers to facilitate their purchase of LYNK & CO-branded vehicles with the largest annual cap being RMB24,450 million for the three years ending 31 December 2020.

  The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB21 million which, did not exceed the annual cap of RMB24,450 million for the year ended 31 December 2019 as approved by the Stock Exchange and the independent shareholders of the Company.

- ***Retail loan cooperation agreements between Genius AFC and LYNK & CO Dealers (as defined in the circular of the Company dated 8 December 2017) (the retail loan cooperation agreements have an effective term until 31 December 2020)***

  Pursuant to the LYNK & CO finance cooperation agreement dated 3 November 2017, Genius AFC agreed to enter into retail loan cooperation agreements with the LYNK & CO Dealers pursuant to which the LYNK & CO Dealers shall recommend the retail consumers to use Genius AFC for the obtaining of vehicle loans to finance their purchase of LYNK & CO-branded vehicles with the largest annual cap being RMB23,295 million for the three years ending 31 December 2020.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB4,811 million which, did not exceed the annual cap of RMB20,601 million for the year ended 31 December 2019 as approved by the Stock Exchange and the independent shareholders of the Company.

9. Proton sales agreement between the Company and Geely Holding (the Proton sales agreement has an effective term until 31 December 2020)

Pursuant to the Proton sales agreement dated 24 September 2018, the Group agreed to sell to the Geely Holding Group CBUs, CKDs and related after-sales parts of the Licensed Models (as defined in the announcement of the Company dated 24 September 2018) with the largest annual cap being RMB4,147,700,000 for the three years ending 31 December 2020.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB2,723 million which, did not exceed the annual cap of RMB3,803 million for the year ended 31 December 2019 as set by the Company.

10. Automobile components procurement agreement between the Company and Geely Holding (the Automobile components procurement agreement has an effective term until 31 December 2021)

Pursuant to the Automobile components procurement agreement dated 5 October 2018, the Group agreed to procure from the Geely Holding Group automobile components with the largest annual cap being RMB33,591,637,000 for the three years ending 31 December 2021.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB2,402 million which, did not exceed the annual cap of RMB13,747 million for the year ended 31 December 2019 as set by the Company.

11. Geely Holding & LYNK & CO automobile parts supply agreement between the Company, Geely Holding and LYNK & CO (the Geely Holding & LYNK & CO automobile parts supply agreement has an effective term until 31 December 2021)

Pursuant to the Geely Holding & LYNK & CO automobile parts supply agreement dated 5 October 2018, the Group agreed to supply to the Geely Holding Group the LYNK & CO Group automobile parts and components with the largest annual cap being RMB247,202,000 for the three years ending 31 December 2021.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB26 million which, did not exceed the annual cap of RMB158 million for the year ended 31 December 2019 as set by the Company.

12. LYNK & CO warehouse services agreement between the Company and the LYNK & CO (the LYNK & CO warehouse services agreement has an effective term until 31 December 2021)

Pursuant to the LYNK & CO warehouse services agreement dated 5 October 2018, the Group agreed to provide to the LYNK & CO Group warehouse services for the aftersales parts and other automobile components with the largest annual cap being RMB182,889,000 for the three years ending 31 December 2021.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB23 million which, did not exceed the annual cap of RMB61 million for the year ended 31 December 2019 as set by the Company.

13. EV finance cooperation agreement between Genius AFC and Geely Holding (the EV finance cooperation agreement has an effective term until 31 December 2021) (capitalised terms were defined in the circular of the Company dated 20 November 2018)

- ***Wholesale facility agreements between Genius AFC and the EV Dealers (as defined in the circular of the Company dated 20 November 2018) (the EV wholesale facility agreements have an effective term until 31 December 2021)***

  Pursuant to the EV finance cooperation agreement dated 5 October 2018, Genius AFC will provide vehicle financing to the EV Dealers to facilitate their purchase of Geely EVs with the largest annual cap being RMB5,406 million for the three years ending 31 December 2021.

  The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB101 million which, did not exceed the annual cap of RMB3,276 million for the year ended 31 December 2019 as approved by the Stock Exchange and the independent shareholders of the Company.

- ***EV retail loan cooperation agreements between Genius AFC and EV Dealers (as defined in the circular of the Company dated 20 November 2018) (the EV retail loan cooperation agreements have an effective term until 31 December 2021)***

  Pursuant to the EV finance cooperation agreement dated 5 October 2018, Genius AFC agreed to enter into EV retail loan cooperation agreements with the EV Dealers pursuant to which the EV Dealers shall recommend the retail consumers to use Genius AFC for the obtaining of vehicle loans to finance their purchase of Geely EVs with the largest annual cap being RMB4,834 million for the three years ending 31 December 2021.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB60 million which, did not exceed the annual cap of RMB2,511 million for the year ended 31 December 2019 as approved by the Stock Exchange and the independent shareholders of the Company.

14. R&D and technology support agreement amongst the Company, Geely Holding and the LYNK & CO (the R&D and technology support agreement has an effective term until 31 December 2021)

Pursuant to the R&D technology support agreement dated 26 November 2019, the Group agreed to provide to the Geely Holding Group and LYNK & CO Group R&D and relevant technology support service related to proprietary technologies owned by the Group, including technologies related to engine and transmission products, and vehicle styling with the largest annual cap being RMB550,935,000 for the three years ending 31 December 2021.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB45 million which, did not exceed the annual cap of RMB76 million for the year ended 31 December 2019 as set by the Company.

15. R&D and technology support agreement amongst the Company, Geely Holding and the LYNK & CO (the R&D and technology support agreement has an effective term until 31 December 2021)

Pursuant to the R&D technology support agreement dated 26 November 2019, the Group agreed to procure from the Geely Holding Group R&D and relevant technology support service related to general and collaborative technologies, such as technologies related to jointly-developed engine and transmission products with the largest annual cap being RMB478,793,000 for the three years ending 31 December 2021.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB26 million which, did not exceed the annual cap of RMB52 million for the year ended 31 December 2019 as set by the Company.

16. Operation services agreement amongst the Company, Geely Holding and the LYNK & CO (the Operation services agreement has an effective term until 31 December 2021)

Pursuant to the operation services agreement dated 26 November 2019, the Group agreed to provide to the Geely Holding Group and the LYNK & CO Group, operation services that mainly include IT, logistics, finance, human resources and other administrative functions with the largest annual cap being RMB1,964,474,000 for the three years ending 31 December 2021.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB51 million which, did not exceed the annual cap of RMB159 million for the year ended 31 December 2019 as set by the Company.

17. Operation services agreement amongst the Company, Geely Holding and the LYNK & CO (the Operation services agreement has an effective term until 31 December 2021)

Pursuant to the operation services agreement dated 26 November 2019, the Group agreed to procure from the Geely Holding Group operation services that mainly include manufacturing engineering services, construction management services and other engineering services. with the largest annual cap being RMB269,547,000 for the three years ending 31 December 2021.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) had been determined to be RMB31 million which, did not exceed the annual cap of RMB52 million for the year ended 31 December 2019 as set by the Company.

The Company has engaged its auditor to report on the aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions set out above in accordance with Listing Rules 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own Code for Securities Transactions by the Officers (the "Code"). All directors of the Company have confirmed their compliance during the year with the required standards set out in the Model Code and the Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the human resources department of the Group on the basis of their merits, qualifications and competence.

The emolument policy of the directors of the Company is decided by the remuneration committee of the Board of Directors of the Company, having regard to the Company's operating results, individual duties and performance and comparable market statistics. The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases attributable to the Group's five largest suppliers and the largest supplier are 13.8% and 3.7%, respectively, of the Group's total purchases for the year. Zhejiang Geely Automobile Parts and Components Company Limited (浙江吉利汽車零部件採購有限公司), a related company controlled by the substantial shareholder of the Company, was the Group's third largest supplier for the year.

The percentage of revenue attributable to the Group's five largest customers and the largest customer are 3.1% and 1.1% respectively, of the Group's total revenue for the year. Hangzhou Youhang Technology Company Limited (杭州優行科技有限公司) and Shenzhen Geely Automobile Sales Company Limited (深圳吉利汽車銷售有限公司), both related companies controlled by the substantial shareholder of the Company, were the Group's largest and the fourth largest customers for the year.

Save as disclosed above, at no time during the year did the directors, their associates, or shareholders of the Company, which to the knowledge of the directors own more than 5% of the Company's share capital, have an interest in any of the Group's five largest customers or suppliers.

CORPORATE GOVERNANCE REPORT

Details of the Corporate Governance Report are set out on pages 30 to 53 of the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The audit committee comprises Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang who are the independent non-executive directors of the Company.

FACILITY AGREEMENT WITH COVENANT OF THE CONTROLLING SHAREHOLDERS

On 2 July 2019, the Company as the borrower entered into a facility agreement (the "Facility Agreement") with Citigroup Global Markets Asia Limited (the "Agent") as the coordinator and agent for a syndicate of banks pursuant to which a term loan facility in the principal amount of up to US$300,000,000 has been granted to the Company for a term of three years. The purpose of the loan facility is to (i) refinance the existing indebtedness of the Group and (ii) for general corporate purposes of the Group.

Pursuant to the Facility Agreement, it will be an event of default if Mr. Li Shu Fu is (i) no longer the single largest beneficial shareholder of the Company, or (ii) no longer beneficially owns at least 25% of the entire issued share capital of the Company. In case of an event of default, the Agent may by notice to the Company (a) cancel the loan facility, (b) declare that all or part of the loan, together with accrued interest, be immediately due and payable, and/or (c) declare that all or part of the loans be payable on demand.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08 of the Listing Rules requires at least 25% of the issued share capital of the Company to be held in public hands. Based on the information available and within the knowledge of the directors as at the latest practicable date prior to the issue of the annual report, the Company has maintained the prescribed public float as required under the Listing Rules.

COMPETING BUSINESSES

The Group is principally engaged in the research, production, marketing and sales of sedans and related automobile components in the PRC. Geely Holding, which is ultimately owned by Mr. Li Shu Fu ("Mr. Li") and his associate, has signed agreements or been in negotiations with local governments in the PRC and other entities to set up production plants for the manufacturing and distribution of Geely sedans. The potential production and distribution of Geely sedans by Geely Holding may constitute competing businesses (the "Competing Businesses") to those currently engaged by the Group. Mr. Li has undertaken to the Company (the "Undertaking") on 20 November 2008 that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, he will, and will procure his associates (other than the Group) to, sell to the Group all of the Competing Businesses and related assets, subject to compliance with applicable requirements of the Listing Rules and other applicable laws and regulations upon terms to be mutually agreed as fair and reasonable. In addition, it is required that Mr. Li informs that Group of all potential Competing Businesses carried out by him or his associates.

In August 2010, Geely Holding completed the acquisition of Volvo Car Corporation, which manufactures Volvo cars, a range of family sedans, wagons and sport utility cars, and has 2,500 dealerships in 100 markets (the "Volvo Acquisition"). Although the Group is not a party to the Volvo Acquisition nor in any discussions with Geely Holding to cooperate with Geely Holding in relation to the Volvo Acquisition, Geely Holding has provided an irrevocable undertaking to the Company on 27 March 2010 to the effect that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to sell to the Group all or any part of the businesses and related assets of the Volvo Acquisition, and such transfer will be subject to the terms and conditions being fair and reasonable, and being in compliance with applicable requirements of the Listing Rules, other applicable laws and regulations and other necessary approvals and consents on terms to be mutually agreed. Despite the fact that the Geely Holding Group is principally engaged in similar business activities as the Group, their respective product offerings do not overlap as the Geely Holding Group's product mix consists of premium automobiles (such as the Volvo brand), which cater for consumers with relatively higher spending power and hence, the Geely Holding Group is considered to operate in a different market segment when compared to the Group. Premium automobiles, which mainly represent Geely Holding Group's product mix, generally refer to vehicles with higher quality, better performance, more precise construction, technologically innovative functions, or features that convey prestige and a strong brand name, whereas economy automobiles, which mainly represent the Group's product mix, generally refer to automobiles that are practical, lightweight and relatively inexpensive for consumers when compared to premium automobiles. Although the Group manufactures sport utility vehicles, they are still not yet compatible to premium automobiles in terms of vehicle class, construction, brand image and pricing. As such, the Competing Businesses of the Geely Holding Group can be defined and delineated from the business of the Group by different products offering (i.e. premium versus economy automobiles) and brand names.

In May 2017, Geely Holding has entered into a heads of agreement for the acquisition of 49.9% equity interests in Proton Holdings Bhd (the "Proton Acquisition"). Proton is a producer of a range of family sedans which is active in the Southeast Asia market and is a potential competitor of the Group. The Proton Acquisition has been completed in October 2017. Although the Group is not a party to the Proton Acquisition, to protect the interests of the Group, Geely Holding has provided an irrevocable undertaking to the Company on 29 November 2017 to the effect that upon being notified of any decision by the Company pursuant to a resolution resolved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to transfer to the Group all or any part of the equity/businesses and related assets of the Proton Acquisition, and such transfer will be subject to the terms and conditions being fair and reasonable, and being in compliance with applicable requirements of the Listing Rules, other applicable laws and regulations and other necessary approvals and consents on terms to be mutually agreed. Although the vehicles being produced by Proton Holdings Bhd occupy the same market segment as that of the Group, they could be distinguished from the products of the Group in that they are right-hand drive vehicles and are primarily being market to right-hand drive markets in Southeast Asia. The Group is currently not producing any right-hand drive vehicles and does not possess any right-hand drive models. As such, Proton is considered to be operating in a different market that can be distinguished from the business of the Group.

Saved as disclosed above, as at 31 December 2019, none of the Directors nor any of their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

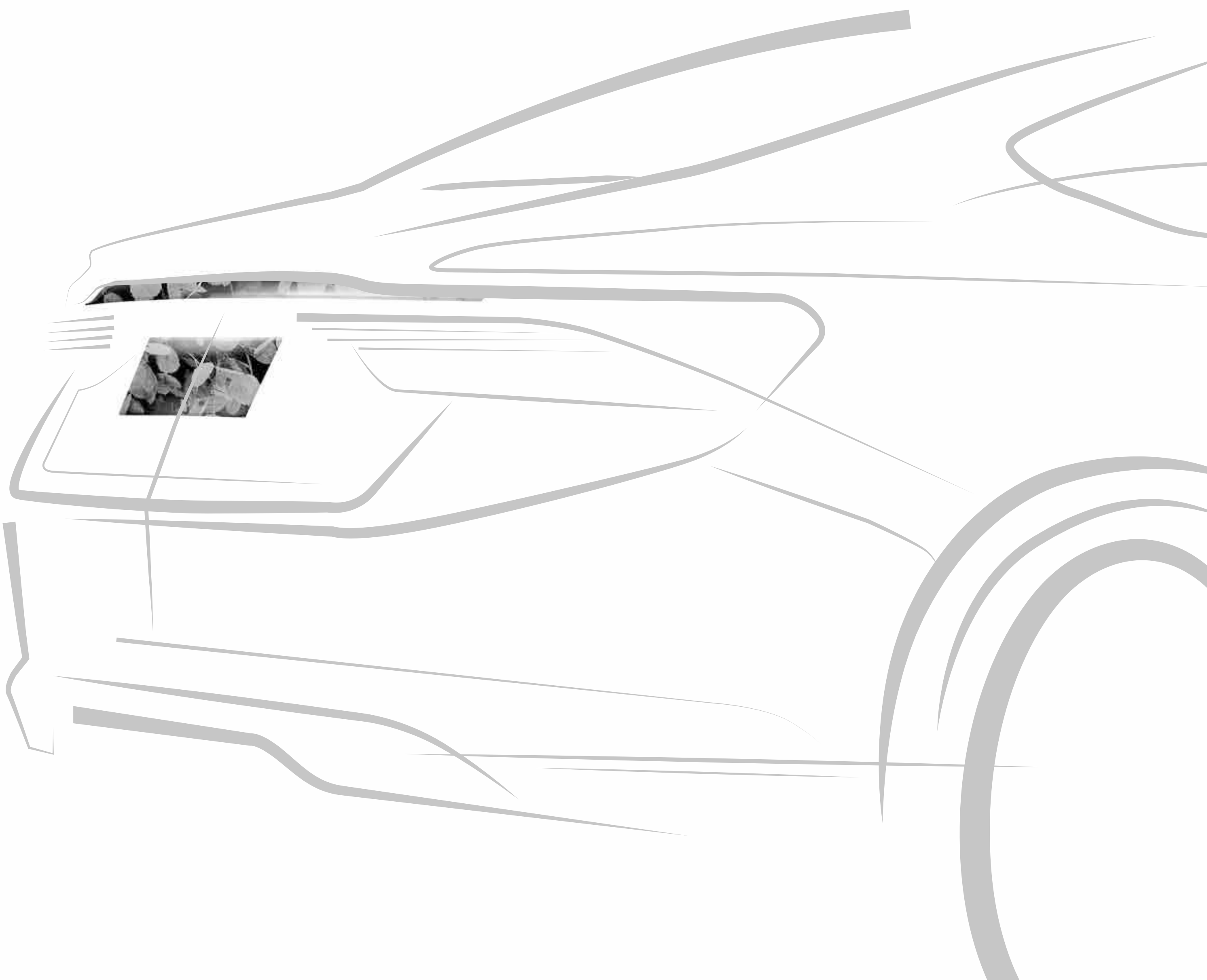
AUDITOR

Grant Thornton Hong Kong Limited retires, and being eligible, offers themselves for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to reappoint Messrs. Grant Thornton Hong Kong Limited as the auditor of the Company.

On behalf of the Board

Li Shu Fu
Chairman
30 March 2020

A/C ACCOUNTS



INDEPENDENT AUDITOR'S REPORT

Grant Thornton
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To the members of Geely Automobile Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Geely Automobile Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 93 to 222, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of intangible assets

Refer to note 15 to the consolidated financial statements and the accounting policies as set out in note 4(e) to the consolidated financial statements.

The key audit matter

We identified the impairment of intangible assets as a key audit matter due to the judgement being made about future results of the business in assessing the recoverability of intangible assets. As at 31 December 2019, intangible assets of RMB17,597,628,000 consisted of capitalised product development costs related to one single cash-generating unit ("CGU").

The Company's management performed impairment assessment of the Group's intangible assets by calculating the recoverable amount of the CGU based on value-in-use calculations using future cash flow projections. Based on the results of the impairment assessment which involved significant management's judgement and key assumptions, including growth rates and discount rates applied to the value-in-use calculations, the Company's management has concluded that there was no impairment of intangible assets for the year ended 31 December 2019.

How the matter was addressed in our audit

Our audit procedures to assess the impairment testing of the Group's intangible assets by the Company's management included the following:

– Assessing the valuation methodology adopted by the management.

– Comparing the current year actual cash flows with the prior year cash flow projections to consider if the projections included any assumptions that were overly optimistic.

– Assessing the reasonableness of key assumptions, including growth rates and discount rates, based on our knowledge of the business and industry.

– Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

Key audit matters (Continued)

Revenue recognition

Refer to note 6 to the consolidated financial statements and the accounting policies as set out in note 4(m) to the consolidated financial statements.

The key audit matter

Revenue recognition is identified as a key audit matter because of its financial significance to the consolidated financial statements and is one of key performance indicators of the Group. Accordingly, there may be risks of material misstatements related to revenue recognition.

How the matter was addressed in our audit

Our audit procedures in relation to revenue recognition included the following:

- Reviewing sales agreements, on a sample basis, to understand the terms of the sales transactions to assess whether the Group's accounting policies in relation to revenue recognition were applied appropriately and consistently throughout the year.

- Performing analytical review on revenue and gross margin by automobile products categories to identify significant or unusual fluctuation on revenue.

- Assessing, on a sample basis, whether specific revenue transactions around the reporting date had been recognised in the appropriate period by comparing the transactions selected with relevant underlying documentation, including customers' receipts, goods delivery notes and the terms of sales as set out in the distributor agreements.

- Obtaining external confirmation to verify the outstanding trade receivables balances at the reporting date directly from customers, on a sample basis.

Other information

The directors are responsible for the other information. The other information comprises all the information included in the 2019 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determined those matters that were of the most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

30 March 2020

Chiu Wing Ning
Practising Certificate No.: P04920

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000 (Note)
Revenue	6	**97,401,248**	106,595,133
Cost of sales		**(80,484,620)**	(85,081,727)
Gross profit		**16,916,628**	21,513,406
Other income	8	**1,224,666**	1,236,985
Distribution and selling expenses		**(4,332,267)**	(4,523,278)
Administrative expenses, excluding share-based payments		**(5,122,388)**	(3,777,155)
Share-based payments	33	**(5,459)**	(14,594)
Finance income, net	9(a)	**108,021**	78,992
Share of results of associates	18	**38,122**	(59,949)
Share of results of joint ventures	19	**625,878**	504,566
Gain on disposal of subsidiaries	36	**183,067**	–
Profit before taxation	9	**9,636,268**	14,958,973
Taxation	10	**(1,374,910)**	(2,284,575)
Profit for the year		**8,261,358**	12,674,398
Attributable to:			
Equity holders of the Company		**8,189,638**	12,553,207
Non-controlling interests		**71,720**	121,191
Profit for the year		**8,261,358**	12,674,398
Earnings per share			
Basic	12	**RMB0.90**	RMB1.40
Diluted	12	**RMB0.89**	RMB1.37

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 101 to 222 are an integral part of these consolidated financial statements. Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out in note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000 (Note)
Profit for the year	**8,261,358**	12,674,398
Other comprehensive income (after tax of RMBNil) for the year:		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations	**50,275**	92,418
Total comprehensive income for the year	**8,311,633**	12,766,816
Attributable to:		
Equity holders of the Company	**8,239,395**	12,644,665
Non-controlling interests	**72,238**	122,151
Total comprehensive income for the year	**8,311,633**	12,766,816

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 101 to 222 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 RMB'000	2018 RMB'000 (Note)
Non-current assets			
Property, plant and equipment	14	**27,070,318**	23,422,617
Intangible assets	15	**17,597,628**	14,993,188
Land lease prepayments	16	**3,230,845**	3,268,035
Goodwill	17	**42,806**	26,414
Interests in associates	18	**462,387**	404,669
Interests in joint ventures	19	**8,375,076**	5,917,618
Trade and other receivables	21	**268,899**	–
Deferred tax assets	30	**865,606**	642,959
		57,913,565	48,675,500
Current assets			
Land lease prepayments	16	**–**	66,538
Inventories	20	**4,820,776**	4,097,380
Trade and other receivables	21	**25,844,914**	22,864,974
Income tax recoverable		**26,714**	–
Pledged bank deposits		**40,393**	19,392
Bank balances and cash		**19,281,216**	15,737,196
		50,014,013	42,785,480
Current liabilities			
Trade and other payables	23	**47,873,315**	41,438,036
Bank borrowings	24	**–**	1,375,280
Lease liabilities	25	**37,223**	–
Income tax payable		**615,894**	947,085
		48,526,432	43,760,401
Net current assets/(liabilities)		**1,487,581**	(974,921)
Total assets less current liabilities		**59,401,146**	47,700,579

	Note	**2019 RMB'000**	2018 RMB'000 (Note)
CAPITAL AND RESERVES			
Share capital	26	**167,733**	164,470
Perpetual capital securities	27	**3,413,102**	–
Reserves	28	**50,854,791**	44,779,507
Equity attributable to equity holders of the Company		**54,435,626**	44,943,977
Non-controlling interests		**488,840**	430,741
Total equity		**54,924,466**	45,374,718
Non-current liabilities			
Bonds payables	29	**2,060,085**	2,047,822
Lease liabilities	25	**26,366**	–
Bank borrowings	24	**2,089,110**	–
Deferred tax liabilities	30	**301,119**	278,039
		4,476,680	2,325,861
		59,401,146	47,700,579

Approved and authorised for issue by the Board of Directors on 30 March 2020.

Li Shu Fu
Director

Gui Sheng Yue
Director

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 101 to 222 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to equity holders of the Company									
	Share capital RMB'000 (note 26)	Share premium RMB'000 (note 28(a))	Capital reserve RMB'000 (note 28(b))	Statutory reserve RMB'000 (note 28(c))	Translation reserve RMB'000 (note 28(d))	Share option reserve RMB'000 (note 28(e))	Accumulated profits RMB'000 (note 28(f))	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2018	164,286	6,641,202	164,790	179,587	(123,575)	381,898	27,024,546	34,432,734	343,590	34,776,324
Profit for the year	–	–	–	–	–	–	12,553,207	12,553,207	121,191	12,674,398
Other comprehensive income:										
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	91,458	–	–	91,458	960	92,418
Total comprehensive income for the year	–	–	–	–	91,458	–	12,553,207	12,644,665	122,151	12,766,816
Transactions with owners:										
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	1,030	1,030
Transfer of reserves	–	–	–	130,811	–	–	(153,609)	(22,798)	–	(22,798)
Shares issued under share option scheme (note 26)	184	51,095	–	–	–	(15,669)	–	35,610	–	35,610
Equity settled share-based payments (note 33)	–	–	–	–	–	14,594	–	14,594	–	14,594
Transfer upon forfeiture of share options	–	–	–	–	–	(2,727)	2,727	–	–	–
Final dividend approved and paid in respect of the previous year (note 11)	–	–	–	–	–	–	(2,160,828)	(2,160,828)	–	(2,160,828)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(36,030)	(36,030)
Total transactions with owners	184	51,095	–	130,811	–	(3,802)	(2,311,710)	(2,133,422)	(35,000)	(2,168,422)
Balance at 31 December 2018 (note)	164,470	6,692,297	164,790	310,398	(32,117)	378,096	37,266,043	44,943,977	430,741	45,374,718

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital RMB'000 (note 26)	Perpetual capital securities RMB'000 (note 27)	Share premium RMB'000 (note 28(a))	Capital reserve RMB'000 (note 28(b))	Statutory reserve RMB'000 (note 28(c))	Translation reserve RMB'000 (note 28(d))	Share option reserve RMB'000 (note 28(e))	Accumulated profits RMB'000 (note 28(f))	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2019	164,470	-	6,692,297	164,790	310,398	(32,117)	378,096	37,266,043	44,943,977	430,741	45,374,718
Profit for the year	-	-	-	-	-	-	-	8,189,638	8,189,638	71,720	8,261,358
Other comprehensive income:											
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	49,757	-	-	49,757	518	50,275
Total comprehensive income for the year	-	-	-	-	-	49,757	-	8,189,638	8,239,395	72,238	8,311,633
Transactions with owners:											
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	1,555	1,555
Transfer of reserves	-	-	-	-	45,240	-	-	(45,240)	-	-	-
Issuance of perpetual capital securities (note 27)	-	3,413,102	-	-	-	-	-	-	3,413,102	-	3,413,102
Shares issued under share option scheme (note 26)	3,263	-	899,295	-	-	-	(263,105)	-	639,453	-	639,453
Equity settled share-based payments (note 33)	-	-	-	-	-	-	5,459	-	5,459	-	5,459
Transfer upon forfeiture of share options	-	-	-	-	-	-	(20,149)	20,149	-	-	-
Final dividend approved and paid in respect of the previous year (note 11)	-	-	-	-	-	-	-	(2,805,760)	(2,805,760)	-	(2,805,760)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(15,694)	(15,694)
Total transactions with owners	3,263	3,413,102	899,295	-	45,240	-	(277,795)	(2,830,851)	1,252,254	(14,139)	1,238,115
Balance at 31 December 2019	167,733	3,413,102	7,591,592	164,790	355,638	17,640	100,301	42,624,830	54,435,626	488,840	54,924,466

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 101 to 222 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000 (Note)
Cash flows from operating activities			
Profit before taxation		**9,636,268**	14,958,973
Adjustments for:			
Bad debts written off	9(c)	**5,542**	2,219
Depreciation and amortisation		**3,733,212**	2,413,161
Equity settled share-based payments	33	**5,459**	14,594
Finance costs	9(a)	**127,580**	113,930
Gain on disposal of an associate	8	**(636)**	–
Gain on disposal of subsidiaries	36	**(183,067)**	–
Impairment loss on trade and other receivables	9(c)	**38,242**	9,659
Interest income	9(a)	**(235,601)**	(192,922)
Net foreign exchange (gain)/loss		**(8,729)**	225,520
Net loss on disposal of property, plant and equipment	9(c)	**55,929**	64,482
Share of results of associates	18	**(38,122)**	59,949
Share of results of joint ventures	19	**(625,878)**	(504,566)
Operating profit before working capital changes		**12,510,199**	17,164,999
Inventories		**(699,388)**	2,175,291
Trade and other receivables		**(3,769,692)**	11,664,380
Trade and other payables		**6,446,007**	(14,458,627)
Cash generated from operations		**14,487,126**	16,546,043
Income taxes paid		**(1,949,422)**	(2,620,921)
Net cash generated from operating activities		**12,537,704**	13,925,122

	Note	2019 RMB'000	2018 RMB'000 (Note)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,872,645)**	(2,312,931)
Proceeds from disposal of property, plant and equipment		**8,216**	104,723
Additions of land lease prepayments	16	**(95,980)**	(178,985)
Additions of intangible assets	15	**(4,606,090)**	(5,031,452)
Additional capital injection in an associate	18	**(20,493)**	(95,258)
Additional capital injection in joint ventures	19	**(1,831,580)**	(880,000)
Investment in a joint venture	19	**–**	(97,522)
Proceeds from disposal of intangible assets		**–**	4,644
Change in pledged bank deposits		**(21,001)**	16,651
Net cash outflows on acquisition of subsidiaries	35	**(320,689)**	(3,063,151)
Net cash outflows on disposal of subsidiaries	36	**(2,699)**	–
Settlement of payables for acquisition of subsidiaries in previous year		**(1,265,277)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	21,650
Proceeds from disposal of interests in an associate	18	**1,533**	–
Interest received		**235,601**	192,922
Net cash used in investing activities		**(10,791,104)**	(11,318,709)
Cash flows from financing activities			
Dividends paid	11(b)	**(2,805,760)**	(2,160,828)
Dividends paid to non-controlling interests		**(15,694)**	(36,030)
Capital contribution from non-controlling interests		**1,555**	1,030
Proceeds from issuance of perpetual capital securities, net of transaction costs	27	**3,413,102**	–
Proceeds from issuance of bonds, net of transaction costs	22	**–**	1,927,161
Proceeds from issuance of shares upon exercise of share options	26	**639,453**	35,610
Proceeds from bank borrowings	22	**2,060,760**	–
Repayments of bank borrowings	22	**(1,373,120)**	–
Payment of lease liabilities	22	**(33,399)**	–
Interest paid	22	**(123,537)**	(73,298)
Net cash generated from/(used in) financing activities		**1,763,360**	(306,355)
Net increase in cash and cash equivalents		**3,509,960**	2,300,058
Cash and cash equivalents at the beginning of the year		**15,737,196**	13,414,638
Effect of foreign exchange rate changes		**34,060**	22,500
Cash and cash equivalents at the end of the year, represented by bank balances and cash		**19,281,216**	15,737,196

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 101 to 222 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

Geely Automobile Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK").

The addresses of the registered office and principal place of business of the Company are disclosed in "Corporate Information" section to the annual report. As at 31 December 2019, the directors consider the immediate holding company of the Company is Proper Glory Holding Inc., which is incorporated in British Virgin Islands (the "BVI"). The ultimate holding company of the Company is Zhejiang Geely Holding Group Company Limited[#] 浙江吉利控股集團有限公司, which is incorporated in the People's Republic of China (the "PRC") and is beneficially owned by Mr. Li Shu Fu and his associates.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 41 to the consolidated financial statements.

[#] The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements on pages 93 to 222 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"). Significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out in note 4 below.

The HKICPA has issued certain new and amended HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

3.1 New and amended HKFRSs adopted as at 1 January 2019

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, HKFRS 16 "Leases" ("HKFRS 16") is relevant to the Group's financial statements.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16

HKFRS 16 replaces HKAS 17 "Leases" ("HKAS 17") along with three Interpretations (HK(IFRIC) - Int 4 "Determining whether an Arrangement contains a Lease" ("HK(IFRIC) - Int 4"), HK(SIC) - Int 15 "Operating Leases-Incentives" and HK(SIC) - Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of accumulated profits for the current period. Comparative information has not been restated and continues to be reported under HKAS 17.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC) - Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC) - Int 4.

As lessee

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. The Group has already recognised the land lease prepayments where the Group is a lessee. The application of HKFRS 16 does not have impact on these assets except for the whole balance is now presented as "Land lease prepayments" under non-current assets.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the weighted average of the incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 4.75% per annum.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (Continued)

3.1 New and amended HKFRSs adopted as at 1 January 2019 (Continued)

HKFRS 16 (Continued)

As lessee (Continued)

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	RMB'000
Operating lease commitments as at 31 December 2018 (note 31)	76,634
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases with remaining lease term ending on or before 31 December 2019	(7,358)
	69,276
Less: discounted using incremental borrowing rate as at 1 January 2019	(5,217)
Total lease liabilities recognised under HKFRS 16 as at 1 January 2019	64,059

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position as at 1 January 2019:

	RMB'000
Increase in land lease prepayments (non-current assets)	66,538
Decrease in land lease prepayments (current assets)	(66,538)
Increase in right-of-use assets presented in property, plant and equipment	68,721
Decrease in prepayment related to previous operating lease presented in trade and other receivables	(4,662)
Increase in lease liabilities (current liabilities)	(17,623)
Increase in lease liabilities (non-current liabilities)	(46,436)

As lessor

Upon initial application of HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16. Comparative information is not restated.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (Continued)

3.2 Issued but not yet effective HKFRSs

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new and amended HKFRSs which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

Amendments to HKFRS 3	Definition of a business[3]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[2]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective date not yet determined
3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. These new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2019 comprise the Group and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 5.

The consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), which is also the functional currency of the Company.

(b) Basis of consolidation

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

A subsidiary is an entity, directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee). When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets. The Group elects to measure any non-controlling interest in the subsidiary at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets for all business combinations.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and equity holders of the Company.

Changes in the Group's interests in subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interests in that subsidiary. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to accumulated profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss (see note 4(k)) unless the investments are held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

(c) Goodwill

Goodwill arising on a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree, if any, over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses (see note 4(k)). Goodwill arising on a business combination is allocated to each cash-generating unit or groups of cash-generating units, which is expected to benefit from the synergies of the combination and is tested at least annually for impairment. In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the interests in associates and joint ventures.

On disposal of a cash-generating unit or an associate or a joint venture, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(d) Interests in associates and joint ventures

An associate is an entity over which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Interests in associates and joint ventures (Continued)

An investment in an associate or a joint venture is accounted for in these consolidated financial statements using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interests in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities measured and contingent liabilities assumed of an associate or a joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities measured over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Where a group entity transacts with an associate or a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interests in the relevant associate and joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective.

Where necessary, adjustments are made to the financial statements of associates and joint ventures to bring their accounting policies in line with those used by the Group.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates or joint ventures. At each reporting date, the Group determines whether there is any objective evidence that the investment in an associate or a joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Interests in associates and joint ventures (Continued)

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture. If the retained interest in that former associate or joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9. The difference between (i) the fair value of any retained interest and any proceeds from disposing of the interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as they would have been required if the associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

In the Company's statement of financial position, interest in a joint venture is stated at cost less impairment losses (see note 4(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses (see note 4(k)). Amortisation for intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over their estimated useful lives. Amortisation begins when the asset is available for use (i.e. when it is in the location and condition necessary for it to be capable of operation).

Research and development costs

Costs associated with research activities are recognised as an expense in the period in which it is incurred. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is an intention to complete the intangible asset and use or sell it;

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Intangible assets (other than goodwill) (Continued)

Research and development costs (Continued)

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

The costs capitalised include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

Capitalised product development costs are amortised over 3 to 10 years. All other development costs are recognised as an expense in the period in which it is as incurred.

Both the period and method of amortisation are reviewed annually.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Foreign currency translation

In preparing the financial statements of each individual group entity, foreign currency transactions are translated into the functional currency of the individual group entity at exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate ruling at the transaction dates and not retranslated (i.e. only translated using the exchange rates at the transaction date).

Exchange differences arising on the settlement of monetary assets and liabilities, and on the translation of monetary assets and liabilities, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary assets and liabilities that forms part of the Company's net investment in a foreign operation, in which case such exchange differences are recognised in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi ("RMB")) at the exchange rates prevailing at the reporting date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising from translation of functional currency to presentation currency, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (i.e. the translation reserve). Such exchange differences are reclassified from equity to profit or loss as a reclassification adjustment in the period in which the foreign operation is disposed of.

(h) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, in case of financial assets or liabilities not at fair value through profit or loss ("FVPL"), are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Non-equity investments held by the Group are classified into amortised cost, if the investment is held within a business model whose objective is to hold the investment and collect its contractual cash flows and the contractual terms of the investment give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from the investment is calculated using the effective interest method (note 4(m)).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial assets (Continued)

Credit losses

The Group recognises a loss allowance for expected credit losses ("ECLs") on the financial assets measured at amortised cost (including bank balances and cash, pledged bank deposits and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls on bank balances and cash, pledged bank deposits and trade and other receivables are discounted using effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs by using a simplified approach. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial assets (Continued)

Credit losses (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial assets (Continued)

Credit losses (Continued)

Significant increases in credit risk (Continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment loss or reversal of impairment loss in profit or loss. The Group recognises an impairment loss or reversal of impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 39.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial liabilities

The Group's financial liabilities include bank borrowings, bonds payables, lease liabilities and trade and other payables.

All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 4(s)).

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Accounting policies of lease liabilities are set out in note 4(q).

Trade and other payables

Trade and other payables are initially recognised at their fair values, and are subsequently measured at amortised cost, using the effective interest method.

Interest bearing borrowings

Interest bearing borrowings, including bank borrowings and bonds payables, are classified as financial liabilities and recognised initially at fair value, less transaction costs incurred. Interest bearing borrowings are subsequently stated at amortised cost, using the effective interest method.

Interest bearing borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expired or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity, if any, is recognised in profit or loss.

For financial liabilities, they are derecognised from the Group's consolidated statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment

Property, plant and equipment, other than construction in progress and cost of right-of-use assets (see note 4(q)), are stated at cost less subsequent accumulated depreciation and accumulated impairment loss (see note 4(k)). Cost comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives less their estimated residual values, if any, using the straight-line method as follows:

Buildings	30 years
Plant and machinery	7 to 10 years
Leasehold improvements	Over the shorter of the unexpired lease terms and 3 years
Furniture and fixtures, office equipment and motor vehicles	5 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually. Upon the application of HKFRS 16, accounting policy for depreciation of right-of-use assets is set out in note 4(q).

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Construction in progress is stated at cost less accumulated impairment losses (see note 4(k)). Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction in progress until it is completed and available for use.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Land lease prepayments

"Land lease prepayments" (which meet the definition of right-of-use assets upon initial application of HKFRS 16) represent the upfront payment for long-term land lease in which the payment can be reliably measured. It is stated at cost less accumulated amortisation (before the application of HKFRS 16)/depreciation (upon the application of HKFRS 16) and any accumulated impairment losses (see note 4(k)). Amortisation/depreciation is calculated on a straight line basis over the term of the lease/right-of-use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

(k) Impairment of non-current assets

Internal and external sources of information are reviewed at the reporting date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (including right-of-use assets);

– land lease prepayments;

– intangible assets;

– goodwill; and

– investments in subsidiaries and interest in a joint venture in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– ***Calculation of recoverable amount***

The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of non-current assets (Continued)

– ***Recognition of impairment losses***

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– ***Reversals of impairment losses***

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 "Interim Financial Reporting", in respect of the first six months of the financial year. At the interim reporting date, the Group applies the same impairment testing, recognition, and reversal criteria as it would be at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 4(h).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Revenue recognition

Sales of automobiles and automobile parts and components and scrap materials

Revenue is generally recognised at a point in time when the customers obtain possession of and control of the promised goods in the contract. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Revenue excludes value added tax ("VAT") or related sales taxes and net of discounts.

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognised its contract liabilities under "Trade and other payables" as receipts in advance from customers in the consolidated statement of financial position.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Sales-related warranties associated with automobiles cannot be purchased separately and are served as an assurance that the products sold comply with agreed-upon specifications (i.e. assurance-type warranties). Accordingly, the Group accounts for warranties in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Licensing of intellectual properties

Revenue is generally recognised at a point in time when the customers obtain the right to use of the intellectual properties in the contract.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Revenue recognition (Continued)

Rental income

Accounting policies for rental income are set out in note 4(q).

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

(n) Taxation

Income tax expense comprises current tax and deferred tax.

Current tax and movement in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profits, including existing taxable temporary differences, will be available against which deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Taxation (Continued)

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

The carrying amount of a deferred tax asset is reviewed at the reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and current tax liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and deferred tax liabilities, if they relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Equity settled share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged or credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is included in the amount recognised in share premium for the shares issued) or the option expires (when it is released directly to accumulated profits).

If the share options granted are cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the cancellation or settlement is accounted for as an acceleration of vesting, and the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately in profit or loss.

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued and recognised as an expense in profit or loss in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Retirement benefit costs

Payments to the Group's Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong, the state-managed retirement benefit scheme in the PRC and defined contribution superannuation funds in other overseas countries are charged as expenses as they fall due.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Leases

(i) Definition of a lease and the Group as a lessee

(Policy applicable from 1 January 2019)

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of office and factory premises in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Leases (Continued)

(i) Definition of a lease and the Group as a lessee (Continued)

(Policy applicable from 1 January 2019) (Continued)

Measurement and recognition of leases as a lessee (Continued)

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

On the consolidated statement of financial position, right-of-use assets have been included in "Property, plant and equipment", the same line as it presents the underlying assets of the same nature that it owns. The prepaid lease payments for leasehold land are presented as "Land lease prepayments" under non-current assets.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Leases (Continued)

(i) Definition of a lease and the Group as a lessee (Continued)

(Policy applicable before 1 January 2019)

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except that land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Leases (Continued)

(ii) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of certain portion of its building and plant and machinery. Rental income is recognised on a straight-line basis over the term of lease.

(r) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

The government grants relating to the purchase of land lease prepayments, intangible assets and property, plant and equipment for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the assets by way of reduced depreciation and amortisation expenses.

Government grants relating to income is presented in gross under “Other income” in the consolidated income statement.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Perpetual capital securities with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party, is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any members of a group of which it is a part, provides key management personnel services to the Group or the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management, being the chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for bad and doubtful debts

The loss allowance for trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For the year ended 31 December 2019, the impairment loss of RMB38,242,000 (2018: RMB9,659,000) was recognised on trade and other receivables.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Write-down of inventories

The Company's management reviews the condition of inventories, as stated in note 20 to the consolidated financial statements, at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions. No inventories has been written down during the year (2018: RMBNil).

Impairment of long-lived assets

If circumstances indicate that the net book value of a long-lived asset, including property, plant and equipment, intangible assets and land lease prepayments (notes 14, 15 and 16), may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets" ("HKAS 36"). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant estimation relating to the level of sales volume, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs. No impairment was provided for long-lived assets during the year (2018: RMBNil).

Depreciation and amortisation

Property, plant and equipment and intangible assets (notes 14 and 15) with finite useful lives are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the condition of property, plant and equipment and intangible assets (i.e. whether it is available for use) as well as the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during the financial year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of investments

The Group assesses annually and at each interim reporting date if interests in associates and joint ventures (notes 18 and 19) have suffered any impairment in accordance with HKAS 36. Details of the approach are stated in the accounting policy as set out in note 4(d). The assessment of value in use requires an estimation of future cash flows, including expected dividends, from the investments and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause adjustments to their carrying amounts. No impairment loss was provided for interests in associates and joint ventures during the year (2018: RMBNil).

Income taxes

Subsidiaries of the Group are subject to income taxes according to different tax rates of different regions in the PRC. As certain tax affairs are pending the confirmation of relevant tax authorities, the Group shall make reliable estimates and judgements for the expected tax adjustments and amounts resulting from such affairs based on the current tax laws and relevant policies. Subsequently, if differences exist between the initial estimates of such affairs and the actual amount of tax payable due to certain objective reasons, such difference will affect the taxes for the current period and tax payables of the Group. Details of income tax are set out in note 10.

Deferred tax

As at 31 December 2019, deferred tax assets of RMB190,095,000 (2018: RMB114,846,000) in relation to unused tax losses have been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB1,715,741,000 (2018: RMB2,239,044,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal or further recognition takes place. Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised.

As at 31 December 2019, deferred tax liabilities of RMB301,119,000 (2018: RMB278,039,000) relating to the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries have been recognised in the Group's consolidated statement of financial position. Deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 undistributed profits of the PRC subsidiaries of RMB13,752,541,000 (2018: RMB12,219,028,000) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future. Further details are disclosed in note 30.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical accounting judgements

Interests in joint ventures

As disclosed in note 19, the Group invested in Genius Auto Finance Company Limited# ("Genius AFC") 吉致汽車金融有限公司 as at 31 December 2019 and 2018. Unanimous consent from the Group and the other investor, BNP Paribas Personal Finance or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC for certain key corporate matters is needed. Therefore, Genius AFC is under the joint control of the Group and BNP Paribas Personal Finance, despite the Group has an equity interest of 80%. Also, the Group and BNP Paribas Personal Finance have rights to the net assets of Genius AFC. Accordingly, the investment in Genius AFC is classified as a joint venture of the Group and accounted for using equity method.

Meanwhile, the Group invested in LYNK & CO Investment Co., Ltd.# ("LYNK & CO Investment") 領克投資有限公司 as at 31 December 2019 and 2018. Unanimous consent from the Group and the two remaining shareholders of LYNK & CO Investment (the "JV Parties") or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of LYNK & CO Investment for certain key corporate matters is needed. Therefore, LYNK & CO Investment is under the joint control of the Group and the JV Parties. Accordingly, the investment in LYNK & CO Investment is classified as a joint venture of the Group and accounted for using equity method.

Also, the Group invested in Zhejiang Geely AISIN Automatic Transmission Company Limited# ("Zhejiang AISIN") 浙江吉利愛信自動變速器有限公司 as at 31 December 2019 and 2018. Unanimous resolution of all directors of Zhejiang AISIN for certain key corporate matters is needed. Therefore, Zhejiang AISIN is a joint venture company of the Group and its financial results were accounted for using the equity method.

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

6. REVENUE

Revenue from sales of automobiles and automobile parts and components and licensing of intellectual properties, net of VAT or related sales taxes and net of discounts, was generally recognised at a point in time when the customers obtain possession of and control of the promised goods or the right to use of the intellectual properties in the contract.

	2019 **RMB'000**	2018 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
– Sales of automobiles	**91,842,836**	102,651,387
– Sales of automobile parts and components	**5,130,185**	3,943,746
– Licensing of intellectual properties	**428,227**	–
	97,401,248	106,595,133

The Group's customer base is diversified and no customer with whom the transactions has exceeded 10% of the Group's revenue.

7. SEGMENT INFORMATION

The only operating segment of the Group is the production and sale of automobiles, automobile parts and related automobile components and licensing of its intellectual properties. The directors consider that the Group operates in a single business segment. No separate analysis of the reportable segment results by operating segment is necessary.

Geographical information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment (including right-of-use assets), intangible assets, interests in associates and joint ventures, goodwill and land lease prepayments ("specified non-current assets"). The geographical location of customers is based on the location at which the services are provided or the goods are delivered. The geographical location of the specified non-current assets is based on the physical location of the assets in the case of property, plant and equipment (including right-of-use assets) and land lease prepayments, the location of the operations to which they are allocated in the case of intangible assets and goodwill, and the location of operations in the case of interests in associates and joint ventures.

7. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

	2019 **RMB'000**	2018 RMB'000
Revenue from external customers		
PRC	**92,640,882**	104,903,388
Malaysia	**2,722,776**	253,892
Eastern Europe	**1,593,038**	618,281
Middle East	**219,825**	488,135
Central and South America	**115,001**	138,220
Africa	**66,705**	190,818
Other countries	**43,021**	2,399
	97,401,248	106,595,133
Specified non-current assets		
Hong Kong, place of domicile	**4,421**	196
PRC	**56,585,615**	47,896,705
Other countries	**189,024**	135,640
	56,779,060	48,032,541

8. OTHER INCOME

	2019 **RMB'000**	2018 RMB'000
Rental income	**22,364**	32,715
Gain on disposal of an associate (note 18)	**636**	–
Gain on disposal of scrap materials	**46,810**	30,187
Net foreign exchange gain	**67,554**	–
Government grants and subsidies (note)	**845,449**	992,859
Sundry income	**241,853**	181,224
	1,224,666	1,236,985

Note: Government grants and subsidies mainly related to cash subsidies from government in respect of operating and research and development activities which are either unconditional grants or grants with conditions having been satisfied.

9. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		2019 RMB'000	2018 RMB'000 (Note (a))
(a)	**Finance income and costs**		
	Finance costs		
	Effective interest expenses on bonds payables (note 29)	3,574	8,624
	Coupon expense on bonds payables	75,271	67,769
	Interest on lease liabilities	3,557	–
	Interest on bank borrowings wholly repayable within five years	45,178	37,537
		127,580	113,930
	Finance income		
	Bank and other interest income	(235,601)	(192,922)
	Net finance income	(108,021)	(78,992)
(b)	**Staff costs (including directors' emoluments (note 13)) (note (b))**		
	Salaries, wages and other benefits	5,638,075	5,679,709
	Retirement benefit scheme contributions	394,121	378,262
	Equity settled share-based payments (note 33)	5,459	14,594
		6,037,655	6,072,565

9. PROFIT BEFORE TAXATION (Continued)

Profit before taxation is arrived at after charging/(crediting) (Continued):

	2019 RMB'000	2018 RMB'000 (Note (a))
(c) Other items		
Lease charges:		
– Land and buildings held under operating leases	–	17,589
– Short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	18,683	–
Total lease charges	18,683	17,589
Depreciation (note (b)):		
– Owned assets	1,403,730	978,233
– Right-of-use assets (including land lease prepayments upon initial adoption of HKFRS 16)	112,797	–
Total depreciation	1,516,527	978,233
Amortisation of:		
– Land lease prepayments	–	57,223
– Intangible assets (related to capitalised product development costs)	2,216,685	1,377,705
Total amortisation	2,216,685	1,434,928
Auditor's remuneration	8,616	7,203
Bad debts written off	5,542	2,219
Cost of inventories (note (b))	80,484,620	85,081,727
Impairment loss on trade and other receivables	38,242	9,659
Net loss on disposal of property, plant and equipment	55,929	64,482
Net foreign exchange (gain)/loss	(67,554)	328,355
Net claims paid on defective materials purchased	64,195	53,470
Research and development costs	850,468	548,653

9. PROFIT BEFORE TAXATION (Continued)

Profit before taxation is arrived at after charging/(crediting) (Continued):

Notes:

(a) The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

(b) Cost of inventories included RMB4,979,329,000 (2018: RMB4,851,363,000) relating to staff costs and depreciation, which amounts were also included in the respective total amounts disclosed separately for each of these types of expenses.

10. TAXATION

	2019 **RMB'000**	2018 RMB'000
Current tax:		
– PRC enterprise income tax	**1,590,840**	2,500,577
– Under/(Over)-provision in prior years	**2,978**	(1,457)
	1,593,818	2,499,120
Deferred tax (note 30)	**(218,908)**	(214,545)
	1,374,910	2,284,575

Hong Kong profits tax has not been provided as the Hong Kong incorporated companies within the Group had no estimated assessable profits in Hong Kong for the years ended 31 December 2019 and 2018.

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year based on the existing legislation, interpretations and practises in respect thereof. The PRC enterprise income tax rate is 25% (2018: 25%).

10. TAXATION (Continued)

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group obtained the High and New Technology Enterprises qualification. Accordingly, they enjoyed a preferential income tax rate of 15% for the years ended 31 December 2019 and 2018.

According to relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2008 to 2017, enterprises engaging in research and development activities were entitled to claim 150% of their research and development costs so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). From 2018 onwards, such enterprises are entitled to claim Super Deduction at the rate of 175%. The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits for the years ended 31 December 2019 and 2018.

The share of results of associates and joint ventures in the consolidated income statement is after income taxes accrued in the appropriate income tax jurisdictions.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled from the profit before taxation per consolidated income statement as follows:

	2019 **RMB'000**	2018 RMB'000
Profit before taxation	**9,636,268**	14,958,973
Tax at the PRC enterprise income tax rate of 25% (2018: 25%)	**2,409,067**	3,739,743
Tax effect of expenses not deductible	**155,487**	185,479
Tax effect of non-taxable income	**(112,523)**	(105,529)
Tax effect of unrecognised tax losses	**26,777**	60,197
Utilisation of previously unrecognised tax losses	**(46,527)**	(20,482)
Tax effect of different tax rates of entities operating in other jurisdictions	**12,686**	15,860
Deferred tax charge on distributable profits withholding tax (note 30)	**23,080**	10,068
Effect of tax concessions and lower tax rates for certain PRC subsidiaries	**(884,788)**	(1,442,286)
Super Deduction for research and development costs	**(211,327)**	(157,018)
Under/(Over)-provision in prior years	**2,978**	(1,457)
Tax expense for the year	**1,374,910**	2,284,575

10. TAXATION (Continued)

The Group is also liable to withholding tax on dividends to be distributed from the Group's subsidiaries in the PRC in respect of their profits generated from 1 January 2008. Deferred tax liabilities of RMB23,080,000 (2018: RMB10,068,000) were recognised for the distributable profits not yet paid out as dividends that are generated by the PRC subsidiaries of the Company during the year.

11. DIVIDENDS

(a) **Dividends payable to equity holders of the Company attributable to the year:**

	2019	2018
	RMB'000	RMB'000
Final dividend proposed after the reporting date of Hong Kong dollars ("HK$") 0.25 (2018: HK$0.35) per ordinary share	**2,057,746**	2,767,091

The final dividend proposed after the reporting date has not been recognised as a liability as at 31 December 2019.

(b) **Dividends payable to equity holders of the Company attributable to the previous financial year, approved and paid during the year:**

	2019	2018
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.35 (2018: HK$0.29) per ordinary share	**2,805,760**	2,160,828

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB8,189,638,000 (2018: RMB12,553,207,000) and weighted average number of ordinary shares of 9,080,734,422 shares (2018: 8,976,494,672 shares), calculated as follows:

Weighted average number of ordinary shares

	2019	2018
Issued ordinary shares as at 1 January (note 26)	**8,981,612,540**	8,970,514,540
Effect of share options exercised	**99,121,882**	5,980,132
Weighted average number of ordinary shares as at 31 December	**9,080,734,422**	8,976,494,672

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of RMB8,189,638,000 (2018: RMB12,553,207,000) and the weighted average number of ordinary shares (diluted) of 9,180,124,256 shares (2018: 9,174,027,477 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2019	2018
Weighted average number of ordinary shares (basic) as at 31 December	**9,080,734,422**	8,976,494,672
Effect of deemed issue of shares under the Company's share option scheme	**99,389,834**	197,532,805
Weighted average number of ordinary shares (diluted) as at 31 December	**9,180,124,256**	9,174,027,477

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's remuneration

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules and section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

2019

Name of directors	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Rental allowance RMB'000	Retirement scheme contribution RMB'000	Sub-total RMB'000	Equity settled share-based payments RMB'000 (note (i))	Total RMB'000
Executive directors								
Mr. An Cong Hui	9	–	–	–	–	9	–	9
Mr. Ang Siu Lun, Lawrence	–	3,093	680	–	32	3,805	–	3,805
Mr. Gui Sheng Yue (Chief Executive Officer)	–	3,336	733	588	32	4,689	–	4,689
Mr. Li Dong Hui, Daniel (Vice Chairman)	9	–	–	–	–	9	67	76
Mr. Li Shu Fu (Chairman)	–	343	–	–	16	359	–	359
Ms. Wei Mei	9	–	–	–	–	9	48	57
Mr. Yang Jian (Vice Chairman)	9	–	–	–	–	9	–	9
Non-executive director								
Mr. Carl Peter Edmund Moriz Forster (note (ii))	–	–	–	–	–	–	–	–
Independent non-executive directors								
Mr. An Qing Heng	158	–	–	–	–	158	–	158
Mr. Lee Cheuk Yin, Dannis	158	–	–	–	–	158	–	158
Mr. Wang Yang	158	–	–	–	–	158	–	158
Mr. Yeung Sau Hung, Alex	158	–	–	–	–	158	–	158
	668	6,772	1,413	588	80	9,521	115	9,636

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executive's remuneration (Continued)

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules and section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows (Continued):

2018

Name of directors	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Rental allowance RMB'000	Retirement scheme contribution RMB'000	Sub-total RMB'000	Equity settled share-based payments RMB'000 (note (i))	Total RMB'000
Executive directors								
Mr. An Cong Hui	8	–	–	–	–	8	111	119
Mr. Ang Siu Lun, Lawrence	–	2,781	1,412	–	30	4,223	543	4,766
Mr. Gui Sheng Yue (Chief Executive Officer)	–	2,998	1,522	553	30	5,103	611	5,714
Mr. Li Dong Hui, Daniel (Vice Chairman)	8	–	–	–	–	8	243	251
Mr. Li Shu Fu (Chairman)	–	324	–	–	15	339	–	339
Ms. Wei Mei	8	–	–	–	–	8	368	376
Mr. Yang Jian (Vice Chairman)	8	–	–	–	–	8	213	221
Non-executive director								
Mr. Carl Peter Edmund Moriz Forster (note (ii))	–	–	–	–	–	–	56	56
Independent non-executive directors								
Mr. An Qing Heng	149	–	–	–	–	149	36	185
Mr. Lee Cheuk Yin, Dannis	149	–	–	–	–	149	16	165
Mr. Wang Yang	149	–	–	–	–	149	56	205
Mr. Yeung Sau Hung, Alex	149	–	–	–	–	149	16	165
	628	6,103	2,934	553	75	10,293	2,269	12,562

Mr. Carl Peter Edmund Moriz Forster waived his director fee during the years ended 31 December 2019 and 2018. No other director waived any emoluments during the years ended 31 December 2019 and 2018.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executive's remuneration (Continued)

Notes:

(i) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policy for equity settled share-based payments as set out in note 4(o) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Options" in the Directors' Report and in note 33 to the consolidated financial statements.

(ii) Mr. Carl Peter Edmund Moriz Forster resigned as a non-executive director of the Company on 21 August 2019.

(b) Employees' emoluments

Of the five individuals with the highest emoluments, two (2018: two) were directors of the Company whose emoluments are included in the disclosures in note 13(a) above. The aggregate of the emoluments in respect of the other three (2018: three) individuals are as follows:

	2019 RMB'000	2018 RMB'000
Basic salaries and allowances	**4,221**	3,953
Retirement scheme contributions	**63**	60
Equity settled share-based payments	**2**	361
	4,286	4,374

The emoluments of the three (2018: three) individuals with the highest emoluments are within the following bands:

	2019 Number of individuals	2018 Number of individuals
HK$1,000,001 – HK$1,500,000	**2**	2
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,500,001 – HK$3,000,000	**–**	1
	3	3

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture and fixtures, office equipment and motor vehicles RMB'000	Total RMB'000
COST						
At 1 January 2018	2,254,272	5,641,896	8,977,859	7,342	1,044,395	17,925,764
Additions	2,791,592	62,495	48,341	9,616	334,030	3,246,074
Transfer	(4,074,520)	968,790	2,969,533	–	136,197	–
Disposals	–	(87,978)	(152,213)	(49)	(43,353)	(283,593)
Acquisition through business combinations (note 35)	4,903,239	1,457,282	889,076	–	21,441	7,271,038
At 31 December 2018	5,874,583	8,042,485	12,732,596	16,909	1,492,710	28,159,283
Adjustment from the adoption of HKFRS 16 (note 3)	–	68,721	–	–	–	68,721
At 1 January 2019, restated	5,874,583	8,111,206	12,732,596	16,909	1,492,710	28,228,004
Additions	3,502,399	138,014	–	1,384	194,617	3,836,414
Transfer	(8,910,197)	2,034,325	6,345,185	–	530,687	–
Disposals	–	(1,458)	(103,152)	–	(44,493)	(149,103)
Acquisition through business combinations (note 35)	1,711,180	–	–	–	2,128	1,713,308
Disposed of through disposal of subsidiaries (note 36)	(8,389)	(381,694)	(186,282)	–	(16,288)	(592,653)
At 31 December 2019	**2,169,576**	**9,900,393**	**18,788,347**	**18,293**	**2,159,361**	**33,035,970**
DEPRECIATION						
At 1 January 2018	–	765,929	2,613,042	6,382	487,468	3,872,821
Charge for the year	–	194,907	628,968	1,014	153,344	978,233
Written back on disposals	–	(13,111)	(73,835)	–	(27,442)	(114,388)
At 31 December 2018 and 1 January 2019	–	947,725	3,168,175	7,396	613,370	4,736,666
Charge for the year	–	232,964	961,038	3,566	240,882	1,438,450
Written back on disposals	–	(43)	(53,303)	–	(31,612)	(84,958)
Disposed of through disposal of subsidiaries (note 36)	–	(103,057)	(12,424)	–	(9,025)	(124,506)
At 31 December 2019	**–**	**1,077,589**	**4,063,486**	**10,962**	**813,615**	**5,965,652**
NET BOOK VALUE						
At 31 December 2019	**2,169,576**	**8,822,804**	**14,724,861**	**7,331**	**1,345,746**	**27,070,318**
At 1 January 2019, restated	**5,874,583**	**7,163,481**	**9,564,421**	**9,513**	**879,340**	**23,491,338**
At 31 December 2018	**5,874,583**	**7,094,760**	**9,564,421**	**9,513**	**879,340**	**23,422,617**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2019, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Carrying amount		**Depreciation**
	As at 31 December 2019 RMB'000	As at 1 January 2019 RMB'000	**For the year ended 31 December 2019 RMB'000**
Buildings	**66,930**	68,721	**34,720**

The Group has obtained the right to use office and factory premises through the tenancy agreements. The leases typically run on an initial period of two to ten years. The Group makes fixed payments during the contract period. During the year ended 31 December 2019, the total additions to right-of-use assets included in property, plant and equipment amounting to RMB32,929,000.

The title certificates of certain buildings with an aggregate carrying value of RMB3,304,026,000 (2018: RMB2,140,835,000) are yet to be obtained as at 31 December 2019. The directors of the Company are of the opinion that the relevant certificates would be obtained in the near future, the Group is entitled to lawfully and validly occupy and use the buildings, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2019 and 2018.

15. INTANGIBLE ASSETS

	Capitalised product development costs RMB'000
COST	
At 1 January 2018	13,310,249
Additions	5,031,452
Acquisition through business combinations (note 35)	792,312
Written off	(33,370)
At 31 December 2018 and 1 January 2019	19,100,643
Additions	4,606,090
Acquisition through business combinations (note 35)	356,393
Disposed of through disposal of subsidiaries (note 36)	(471,582)
Written off	(79,176)
At 31 December 2019	**23,512,368**
AMORTISATION	
At 1 January 2018	2,758,476
Charge for the year	1,377,705
Written off	(28,726)
At 31 December 2018 and 1 January 2019	4,107,455
Charge for the year	2,216,685
Disposed of through disposal of subsidiaries (note 36)	(330,224)
Written off	(79,176)
At 31 December 2019	**5,914,740**
NET BOOK VALUE	
At 31 December 2019	**17,597,628**
At 31 December 2018	14,993,188

The amortisation charge for the year is included in "Administrative expenses" in the consolidated income statement.

16. LAND LEASE PREPAYMENTS

	2019 RMB'000	2018 RMB'000
The Group's land lease prepayments comprise:		
Outside Hong Kong, held on:		
– Leases of between 10 to 50 years	**3,230,845**	3,334,573
Analysed for reporting purposes as:		
Current assets	**–**	66,538
Non-current assets	**3,230,845**	3,268,035
	3,230,845	3,334,573
Opening net carrying amount	**3,334,573**	2,171,719
Additions	**95,980**	178,985
Acquisition through business combinations (note 35)	**48,707**	1,041,092
Disposed of through disposal of subsidiaries (note 36)	**(170,338)**	–
Annual depreciation/amortisation charges of land lease prepayments	**(78,077)**	(57,223)
Closing net carrying amount	**3,230,845**	3,334,573

Upon initial application of HKFRS 16, the land lease prepayments fall into the scope of HKFRS 16 as they meet the definition of right-of-use assets.

The land use right certificates of certain lands with an aggregate carrying value of RMB1,231,679,000 (2018: RMB1,211,759,000) are yet to be obtained as at 31 December 2019. The directors of the Company are of the opinion that the relevant certificates would be obtained in the near future, the Group is entitled to lawfully and validly occupy and use the lands, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2019 and 2018.

17. GOODWILL

	2019 RMB'000	2018 RMB'000
Carrying amount		
At 1 January	**26,414**	16,079
Arising on business combinations (note 35)	**16,392**	10,335
At 31 December	**42,806**	26,414

The carrying amount of goodwill is allocated to the cash-generating units of manufacturing of (a) complete knock down kits and (b) vehicle engines. The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management. The cash flows are discounted using a discount rate which is pre-tax and reflects specific risks relating to the relevant segments. The values assigned to the key assumptions on market development and discount rates are consistent with external information sources. During the year ended 31 December 2019, the directors of the Company conducted a review of goodwill and no impairment loss in respect of goodwill has been recognised (2018: RMBNil).

18. INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Share of net assets	**465,736**	408,018
Goodwill	**663**	663
Impairment loss recognised	**(4,012)**	(4,012)
	462,387	404,669
Represented by:		
Cost of unlisted investments	**411,708**	392,112
Share of post-acquisition results and other comprehensive income	**71,255**	33,133
Impairment loss recognised	**(4,012)**	(4,012)
Exchange realignment	**(16,564)**	(16,564)
	462,387	404,669

18. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's interests in associates, which are unlisted corporate entities whose quoted market prices are not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2019 and 2018, are as follows:

Name of associates	Place of establishments and operations	Form of business structure	Particulars of issued and paid up registered capital	Attributable equity interest held by the Group		Principal activities
				2019	2018	
Mando (Ningbo) Automotive Parts Co., Limited ("Mando (Ningbo)") 萬都(寧波)汽車零部件有限公司	PRC	Incorporated	United States dollars ("US$") 85,000,000	**35%**	35%	Manufacturing of automobile parts and components
Closed Joint Stock Company BELGEE ("BELGEE")	Republic of Belarus ("Belarus")	Incorporated	Belarusian Ruble ("BYN") 182,079,000 (2018: BYN166,225,000)	**36.3%**	36.1%	Production, marketing and sales of vehicles
Faurecia Emissions Control Technologies (Ningbo) Co., Ltd.# ("Faurecia Emissions") 佛吉亞排氣控制技術(寧波)有限公司	PRC	Incorporated	US$7,900,000	**–**	9%	Manufacturing of emission control systems
PT Geely Mobil Indonesia	Republic of Indonesia	Incorporated	US$3,260,200	**30%**	30%	Production, marketing and sales of vehicles

\# The English translation of the name of the company established in the PRC is for reference only. The official name of this company is in Chinese.

All associates are indirectly held by the Company.

In December 2019, the Group disposed of its entire interests in Faurecia Emissions to an independent third party at a cash consideration of approximately RMB1,533,000. The carrying amount of the Group's interests in Faurecia Emissions at the disposal date was RMB897,000 and a gain on disposal of RMB636,000 was recognised in "Other income" in the consolidated income statement.

18. INTERESTS IN ASSOCIATES (Continued)

During the year ended 31 December 2019, BELGEE effected an increase in registered capital whereby the Group and other investors injected additional capital to BELGEE amounting to BYN6,071,000 (equivalent to approximately RMB20,493,000) and BYN9,783,000 (equivalent to approximately RMB33,024,000), respectively. Upon the completion of the capital increase, the registered capital of BELGEE was changed from BYN166,225,000 (equivalent to approximately RMB619,446,000) to BYN182,079,000 (equivalent to approximately RMB672,963,000). As a result of such an increase in registered capital, the Group's equity interests in BELGEE were increased from 36.1% to 36.3% and the Group is still able to exert significant influence over the financial and operating activities of BELGEE. Accordingly, the Group continues to account for such investment as an associate.

During the year ended 31 December 2018, BELGEE effected an increase in registered capital whereby the Group and other investors injected additional capital to BELGEE amounting to BYN29,062,000 (equivalent to approximately RMB95,258,000) and BYN39,598,000 (equivalent to approximately RMB129,939,000), respectively. Upon the completion of the capital increase, the registered capital of BELGEE was changed from BYN97,565,000 (equivalent to approximately RMB394,249,000) to BYN166,225,000 (equivalent to approximately RMB619,446,000).

The Group invests in Mando (Ningbo) as its strategic supplier of automobile parts and components.

Summarised financial information of Mando (Ningbo), the Group's material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

	2019 **RMB'000**	2018 RMB'000
Non-current assets	**348,492**	327,074
Current assets	**2,442,285**	2,379,386
Current liabilities	**(1,988,427)**	(1,914,846)
Non-current liabilities	**(7,855)**	(10,940)
Net assets	**794,495**	780,674
Revenue	**2,432,324**	3,141,442
Profit for the year	**13,821**	32,475
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**13,821**	32,475
Dividend received from the associate	**–**	–

18. INTERESTS IN ASSOCIATES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interests in Mando (Ningbo) recognised in the consolidated financial statements:

	2019 **RMB'000**	2018 RMB'000
Net assets of Mando (Ningbo)	**794,495**	780,674
The Group's effective interests in Mando (Ningbo)	**35%**	35%
Carrying amount in the consolidated financial statements, represented by the Group's share of net assets of Mando (Ningbo)	**278,073**	273,236

Aggregate financial information of associates that are not individually material:

	2019 **RMB'000**	2018 RMB'000
Aggregate amounts of the Group's share of profit/(loss) for the year	**33,285**	(71,315)
Aggregate amounts of the Group's share of other comprehensive income for the year	**-**	–
Aggregate carrying amount of the Group's interests in these associates	**184,314**	131,433

19. INTERESTS IN JOINT VENTURES

	2019 **RMB'000**	2018 RMB'000
Share of net assets	**8,375,076**	5,917,618
Represented by:		
Cost of unlisted investments	**7,279,102**	5,447,522
Unrealised gain on disposal of a subsidiary to a joint venture	**(14,943)**	(14,943)
Share of post-acquisition results and other comprehensive income	**1,110,917**	485,039
	8,375,076	5,917,618

19. INTERESTS IN JOINT VENTURES (Continued)

Details of the Group's joint ventures which are unlisted corporate entities whose quoted market prices are not available and accounted for using the equity method in the consolidated financial statements as at 31 December 2019 and 2018, are as follows:

Name of joint venture	Place of establishments and operations	Form of business structure	Particulars of registered capital	Proportion of ownership interest held by the Group		Principal activities
				2019	2018	
Genius Auto Finance Company Limited#* ("Genius AFC") 吉致汽車金融有限公司	PRC	Incorporated	RMB4,000,000,000 (2018: RMB2,000,000,000)	**80%**	80%	Vehicles financing business
LYNK & CO Investment Co., Ltd.# ("LYNK & CO Investment") 領克投資有限公司	PRC	Incorporated	RMB7,500,000,000	**50%**	50%	Manufacturing and sales of vehicles under the "Lynk & Co" brand
Zhejiang Geely AISIN Automatic Transmission Company Limited# ("Zhejiang AISIN") 浙江吉利愛信自動變速器有限公司	PRC	Incorporated	US$117,000,000	**40%**	40%	Manufacturing and sale of front-wheel drive 6-speed automatic transmissions and related parts and components

\# The English translation of the names of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.

* Genius AFC is directly held by the Company.

Zhejiang AISIN

On 24 April 2018, the Group entered into a joint venture agreement with AISIN AW Co., Ltd. ("AISIN AW"), an independent third party and a subsidiary of AISIN SEIKI Company Limited, pursuant to which the parties agreed to establish a joint venture company, Zhejiang AISIN. Pursuant to the joint venture agreement, the Group and AISIN AW will contribute to the capital of Zhejiang AISIN by cash as to 40% (equivalent to US$46,800,000) and 60% (equivalent to US$70,200,000), respectively. The board of directors of Zhejiang AISIN was setup according to the shareholding ratio by the shareholders. Pursuant to the joint venture agreement, unanimous resolution of all directors for certain key corporate matters is required. Therefore, Zhejiang AISIN is a joint venture company of the Group and its financial results were accounted for in the consolidated financial statements of the Group using the equity method.

During the year ended 31 December 2019, the Group and the joint venture partner contributed US$32,800,000 (equivalent to approximately RMB231,580,000) (2018: US$14,000,000 (equivalent to approximately RMB97,522,000)) and US$49,200,000 (equivalent to approximately RMB347,370,000) (2018: US$21,000,000 (equivalent to approximately RMB146,283,000)), respectively, to Zhejiang AISIN.

19. INTERESTS IN JOINT VENTURES (Continued)

LYNK & CO Investment

On 4 August 2017, the Group entered into a joint venture agreement with Zhejiang Haoqing Automobile Manufacturing Company Limited# ("Zhejiang Haoqing") 浙江豪情汽車製造有限公司 and Volvo Car (China) Investment Company Limited# ("VCI") 沃爾沃汽車(中國)投資有限公司, fellow subsidiaries owned by the Company's ultimate holding company, for the establishment of a joint venture, LYNK & CO Investment, to engage in the manufacturing and sales of vehicles under the "Lynk & Co" brand. LYNK & CO Investment was held as to 50% by the Group, as to 20% by Zhejiang Haoqing and as to 30% by VCI. Pursuant to the joint venture agreement, the board of directors of LYNK & CO Investment consists of four directors, of whom two are nominated by the Group, one is nominated by Zhejiang Haoqing, and one is nominated by VCI. Pursuant to the joint venture agreement, unanimous consent from the three shareholders is needed as certain key corporate matters of LYNK & CO Investment require an unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of LYNK & CO Investment. Therefore, LYNK & CO Investment is under the joint control of the three shareholders. The three shareholders have the rights to the net assets of LYNK & CO Investment. Accordingly, the investment in LYNK & CO Investment was recognised as a joint venture of the Group and accounted for using the equity method.

Genius AFC

Genius AFC was established in August 2015, and was held as to 80% by the Company and as to 20% by BNP Paribas Personal Finance which engages in the vehicles financing business in the PRC. Pursuant to the joint venture agreement, the board of directors was setup according to the respective shareholding ratio, unanimous consent from the Company and BNP Paribas Personal Finance is required as either certain key corporate matters of Genius AFC require a positive vote from BNP Paribas Personal Finance or unanimous resolution of all directors of Genius AFC. Therefore, Genius AFC is under the joint control of the Company and BNP Paribas Personal Finance. Both of the Group and BNP Paribas Personal Finance have the rights to the net assets of Genius AFC. Accordingly, the investment in Genius AFC was recognised as a joint venture of the Group and accounted for using the equity method.

During the year ended 31 December 2018, the registered capital of Genius AFC had been increased by RMB1,100,000,000 from RMB900,000,000 as at 31 December 2017 to RMB2,000,000,000 as at 31 December 2018 whereby the Company and the joint venture partner injected additional capital in proportional to their existing shareholding to Genius AFC amounted to RMB880,000,000 and RMB220,000,000, respectively.

During the year ended 31 December 2019, the registered capital of Genius AFC had been increased by RMB2,000,000,000 from RMB2,000,000,000 as at 31 December 2018 to RMB4,000,000,000 as at 31 December 2019 whereby the Company and the joint venture partner injected additional capital in proportional to their existing shareholding to Genius AFC amounted to RMB1,600,000,000 and RMB400,000,000, respectively.

As at 31 December 2019, the aggregate bank balances deposited by the Group with Genius AFC amounted to approximately RMB5,134,810,000 (2018: RMB2,785,588,000).

19. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of the Zhejiang AISIN, LYNK & CO Investment and its subsidiaries ("LYNK & CO Group") and Genius AFC adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated statement of financial position, are disclosed below:

	Zhejiang AISIN		LYNK & CO Group		Genius AFC	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Non-current assets	**210,524**	322	**9,808,742**	7,011,983	**977,093**	614,708
Current assets	**570,611**	241,626	**8,443,630**	7,802,938	**34,403,287**	21,237,842
Current liabilities	**(25,597)**	(4,547)	**(7,193,560)**	(6,345,875)	**(23,826,322)**	(15,134,857)
Non-current liabilities	**–**	–	**(2,475,687)**	(371,789)	**(6,808,757)**	(4,481,478)
Net assets	**755,538**	237,401	**8,583,125**	8,097,257	**4,745,301**	2,236,215
The above amounts of assets and liabilities include the following:						
Cash and cash equivalents	**544,347**	240,872	**1,595,023**	774,368	**3,225,994**	2,225,622
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–	**(6,313)**	–	**(20,869,696)**	(13,160,936)
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	–	**(3,205)**	–	**(6,808,757)**	(4,481,478)
Revenue	**–**	–	**17,325,408**	17,199,382	**2,223,598**	1,332,337
(Loss)/Profit for the year/period	**(60,813)**	(6,404)	**485,868**	667,611	**509,086**	216,653
Other comprehensive income for the year/period	**–**	–	**–**	–	**–**	–
Total comprehensive (expense)/income for the year/period	**(60,813)**	(6,404)	**485,868**	667,611	**509,086**	216,653
Dividend received from the joint ventures	**–**	–	**–**	–	**–**	–
The above (loss)/profit for the year/period including the following:						
Depreciation and amortisation	**(930)**	–	**(924,427)**	(666,628)	**(22,142)**	(8,225)
Interest income	**3,458**	73	**10,240**	9,089	**2,162,143**	1,308,113
Interest expense	**–**	–	**(644)**	–	**(963,653)**	(604,897)
Income tax expense	**–**	–	**(193,257)**	(261,628)	**(173,680)**	(72,471)

19. INTERESTS IN JOINT VENTURES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interests in joint ventures recognised in the consolidated statement of financial position:

	Zhejiang AISIN		LYNK & CO Group		Genius AFC	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Net assets of the joint venture	**755,538**	237,401	**8,583,125**	8,097,257	**4,745,301**	2,236,215
The Group's effective interests in the joint venture	**40%**	40%	**50%**	50%	**80%**	80%
The Group's share of the net assets of the joint venture	**302,215**	94,960	**4,291,563**	4,048,629	**3,796,241**	1,788,972
Unrealised gain on disposal of a subsidiary to a joint venture	**–**	–	**(14,943)**	(14,943)	**–**	–
Carrying amount of the Group's interests in joint ventures	**302,215**	94,960	**4,276,620**	4,033,686	**3,796,241**	1,788,972

20. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2019	2018
	RMB'000	RMB'000
Raw materials	**2,840,999**	1,890,315
Work in progress	**422,734**	328,753
Finished goods	**1,557,043**	1,878,312
	4,820,776	4,097,380

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2019	2018
	RMB'000	RMB'000
Carrying amount of inventories sold	**80,484,620**	85,081,727

21. TRADE AND OTHER RECEIVABLES

	Note	2019 RMB'000	2018 RMB'000
Trade and notes receivables			
Trade receivables, net of loss allowance			
– Third parties		**622,228**	338,158
– Joint ventures		**261,436**	145,183
– An associate		**489,970**	269,538
– Related companies controlled by the substantial shareholder of the Company		**1,179,681**	330,812
	(a)	**2,553,315**	1,083,691
Notes receivables	(b)	**17,210,523**	16,988,253
		19,763,838	18,071,944
Deposit, prepayment and other receivables			
Prepayment to suppliers			
– Third parties		**277,245**	151,444
– Related companies controlled by the substantial shareholder of the Company		**–**	1,974
		277,245	153,418
Deposits paid for acquisition of property, plant and equipment		**457,691**	609,953
VAT and other taxes receivables		**4,304,742**	3,592,041
Utility deposits and other receivables		**1,270,529**	414,586
		6,310,207	4,769,998
Amounts due from related companies controlled by the substantial shareholder of the Company	(c)	**39,768**	23,032
		6,349,975	4,793,030
		26,113,813	22,864,974
Representing:			
– Current		**25,844,914**	22,864,974
– Non-current		**268,899**	–
		26,113,813	22,864,974

21. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables

The Group allows average credit periods ranged from 30 days to 90 days to its PRC customers from sales of automobiles and automobile parts and components. In respect of the trade receivable from a related company arising from the licensing of intellectual properties, it will be settled within five years in accordance with the contract terms. The following is an ageing analysis of the trade receivables of the PRC customers, based on invoice date and net of loss allowance, at the reporting date:

	2019 **RMB'000**	2018 RMB'000
0 – 60 days	**1,128,532**	478,099
61 – 90 days	**117,568**	26,919
Over 90 days	**586,296**	80,998
	1,832,396	586,016

For overseas customers, the Group allows average credit periods ranged from 30 days to 720 days. The following is an ageing analysis of the trade receivables of the overseas customers, based on invoice date and net of loss allowance, at the reporting date:

	2019 **RMB'000**	2018 RMB'000
0 – 60 days	**119,792**	285,290
61 – 90 days	**90,208**	10,233
91 – 365 days	**410,858**	148,989
Over 365 days	**100,061**	53,163
	720,919	497,675

As at 31 December 2019, 32% (2018: 1%) of the total trade receivables was due from the Group's five largest customers.

21. TRADE AND OTHER RECEIVABLES (Continued)

(b) Notes receivables

All notes receivables are denominated in RMB. As at 31 December 2019 and 2018, all notes receivables were guaranteed by established banks in the PRC and have maturities of less than six months from the reporting date.

(c) Amounts due from related companies

The amounts due are unsecured, interest-free and repayable on demand.

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 39.

22. CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividends payable RMB'000	Bank borrowings RMB'000 (note 24)	Lease liabilities RMB'000 (note 25)	Bonds payables RMB'000 (note 29)	Total RMB'000
At 1 January 2018	–	1,296,460	–	–	1,296,460
Change from financing cash flows:					
Initial fair value on the date of issuance	–	–	–	1,927,161	1,927,161
Other borrowing costs paid	–	(38,041)	–	(35,257)	(73,298)
Dividends paid	(2,160,828)	–	–	–	(2,160,828)
Total changes from financing cash flows	(2,160,828)	(38,041)	–	1,891,904	(306,965)
Exchange adjustments	–	78,820	–	112,037	190,857
Other changes (note):					
Interest expenses	–	37,537	–	76,393	113,930
Dividends declared	2,160,828	–	–	–	2,160,828
Others	–	504	–	(32,512)	(32,008)
Total other changes	2,160,828	38,041	–	43,881	2,242,750

22. CASH FLOW INFORMATION (Continued)

Reconciliation of liabilities arising from financing activities (Continued)

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities. (Continued)

	Dividends payable RMB'000	Bank borrowings RMB'000 (note 24)	Lease liabilities RMB'000 (note 25)	Bonds payables RMB'000 (note 29)	Total RMB'000
At 31 December 2018	–	1,375,280	–	2,047,822	3,423,102
Adjustment from the adoption of HKFRS 16 (note 3)	–	–	64,059	–	64,059
At 1 January 2019, restated	–	1,375,280	64,059	2,047,822	3,487,161
Change from financing cash flows:					
Proceeds from bank borrowings	–	2,060,760	–	–	2,060,760
Repayments of bank borrowings	–	(1,373,120)	–	–	(1,373,120)
Capital element of lease rentals paid	–	–	(33,399)	–	(33,399)
Other borrowing costs paid	–	(45,178)	(3,557)	(74,802)	(123,537)
Dividends paid	(2,805,760)	–	–	–	(2,805,760)
Total changes from financing cash flows	(2,805,760)	642,462	(36,956)	(74,802)	(2,275,056)
Exchange adjustments	–	26,190	–	8,689	34,879
Other changes (note):					
Entering into new leases	–	–	32,929	–	32,929
Interest expenses	–	45,178	3,557	78,845	127,580
Dividends declared	2,805,760	–	–	–	2,805,760
Others	–	–	–	(469)	(469)
Total other changes	2,805,760	45,178	36,486	78,376	2,965,800
At 31 December 2019	**–**	**2,089,110**	**63,589**	**2,060,085**	**4,212,784**

Note:

Other changes include interest accruals.

23. TRADE AND OTHER PAYABLES

	Note	2019 RMB'000	2018 RMB'000
Trade and notes payables			
Trade payables			
– Third parties		**30,544,446**	23,562,370
– An associate		**726,376**	726,074
– Related companies controlled by the substantial shareholder of the Company		**253,879**	916,316
	(a)	**31,524,701**	25,204,760
Notes payables	(b)	**2,233,280**	2,076,400
		33,757,981	27,281,160
Other payables			
Receipts in advance from customers	(c)		
– Third parties		**4,940,701**	1,885,021
– Related companies controlled by the substantial shareholder of the Company		**–**	5,751
		4,940,701	1,890,772
Deferred government grants which conditions have not been satisfied		**1,459,964**	3,190,186
Payables for acquisition of property, plant and equipment		**2,795,722**	2,017,144
Payables for acquisition of subsidiaries (notes 35(e) and 35(f))		**–**	1,265,277
Accrued staff salaries and benefits		**1,253,715**	1,224,556
VAT and other taxes payables		**145,941**	167,710
Other accrued charges		**3,519,291**	2,427,879
		14,115,334	12,183,524
Amounts due to related companies controlled by the substantial shareholder of the Company	(d)	**–**	1,752,809
Amount due to ultimate holding company	(d)	**–**	220,543
		14,115,334	14,156,876
		47,873,315	41,438,036

23. TRADE AND OTHER PAYABLES (Continued)

(a) Trade payables

The following is an ageing analysis of trade payables, based on invoice date, at the reporting date:

	2019 RMB'000	2018 RMB'000
0 – 60 days	**28,851,143**	20,013,747
61 – 90 days	**1,389,265**	2,586,200
Over 90 days	**1,284,293**	2,604,813
	31,524,701	25,204,760

Trade payables do not carry interest. The average credit period on purchase of goods is 60 days.

(b) Notes payables

All notes payables are denominated in RMB and are notes paid and/or payable to third parties for settlement of trade payables. As at 31 December 2019 and 2018, all notes payables had maturities of less than six months from the reporting date.

As at 31 December 2019, the Group has no pledged bank deposits (2018: RMB19,392,000) to secure the notes payables.

(c) Receipts in advance from customers

The amounts represent the advance payments from customers for automobiles and automobile parts and components, which revenue will be recognised when the performance obligation was satisfied through the automobiles and automobile parts and components were transferred to the customers.

	2019 RMB'000	2018 RMB'000
Revenue recognised during the year that was included in the contract liabilities at the beginning of the year	**(1,890,772)**	(7,984,472)

The Group's contracts with customers are for period of one year or less. The entire contract liabilities balance at the period end would be recognised into revenue in the next period. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts which have an original expected duration of one year or less is not disclosed.

23. TRADE AND OTHER PAYABLES (Continued)

(d) **Amounts due to related companies/ultimate holding company**

The amounts due are unsecured, interest-free and repayable on demand.

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

24. BANK BORROWINGS

	2019 **RMB'000**	2018 RMB'000
Bank loans, unsecured	**2,089,110**	1,375,280
Representing:		
– Current	**–**	1,375,280
– Non-current	**2,089,110**	–
	2,089,110	1,375,280

As at 31 December 2019, the Group's bank borrowings were carried at amortised cost, repayable in July 2022 (2018: October 2019) and interest-bearing at the London Interbank Offered Rates plus 0.95% (2018: London Interbank Offered Rates plus 1.05%) per annum. Pursuant to the facility agreement, it will be an event of default if Mr. Li Shu Fu is (i) no longer the single largest beneficial shareholder of the Company, or (ii) no longer beneficially owns at least 25% of the issued share capital of the Company. In case of an event of default, the bank may by notice to the Company (a) cancel the loan facility, (b) declare that all or part of the loan, together with accrued interest, be immediately due and payable, and/or (c) declare that all or part of the loans be payable on demand.

As at 31 December 2019 and 2018, none of the covenants relating to drawn down facilities had been breached.

Further details of the Group's management of liquidity risk were set out in note 39.

25. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2019 RMB'000
Total minimum lease payments:	
Due within one year	**39,706**
Due in the second to fifth years	**26,963**
Future finance charges on lease liabilities	**(3,080)**
Present value of lease liabilities	**63,589**

	2019 RMB'000
Present value of minimum lease payments:	
Due within one year	**37,223**
Due in the second to fifth years	**26,366**
Less: Portion due within one year included under current liabilities	**(37,223)**
Portion due after one year included under non-current liabilities	**26,366**

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Details for transitions to HKFRS 16 are set out in note 3.

The Group has obtained the right to use office and factory premises through the tenancy agreements. The right-of-use assets have been included in "buildings" in "property, plant and equipment". The leases typically run on an initial period of two to ten years. The Group makes fixed payments during the contract period.

During the year ended 31 December 2019, the total cash outflows for the leases are RMB55,639,000.

26. SHARE CAPITAL

	2019 Number of shares	2019 Nominal value RMB'000	2018 Number of shares	2018 Nominal value RMB'000
Authorised:				
Ordinary shares of HK$0.02 each				
At 31 December	**12,000,000,000**	**246,720**	12,000,000,000	246,720
Issued and fully paid:				
Ordinary shares of HK$0.02 each				
At 1 January	**8,981,612,540**	**164,470**	8,970,514,540	164,286
Shares issued under share option scheme (note)	**185,385,000**	**3,263**	11,098,000	184
At 31 December	**9,166,997,540**	**167,733**	8,981,612,540	164,470

Note:

During the year ended 31 December 2019, share options were exercised to subscribe for 185,385,000 ordinary shares (2018: 11,098,000 ordinary shares) of the Company at a consideration of approximately RMB639,453,000 (2018: RMB35,610,000) of which approximately RMB3,263,000 (2018: RMB184,000) was credited to share capital and approximately RMB636,190,000 (2018: RMB35,426,000) was credited to the share premium account. As a result of the exercise of share options, share option reserve of RMB263,105,000 (2018: RMB15,669,000) has been transferred to the share premium account in accordance with the accounting policy set out in note 4(o).

27. PERPETUAL CAPITAL SECURITIES

On 9 December 2019, the Company (the "Issuer") issued 4% senior perpetual capital securities with an aggregate principal amount of US$500,000,000 (equivalent to approximately RMB3,425,857,000) (the "Securities") which are listed on Singapore Exchange Securities Trading Limited at an issue price of 99.641%. Transaction costs relating to the issue of the Securities amounted to approximately RMB12,755,000. Distribution is payable semi-annually in arrears in equal instalments on 9 June and 9 December of each year based on the distribution rate as defined in the subscription agreement. Distribution by the Issuer may be deferred at its sole discretion. The Securities have no fixed maturity and are redeemable in whole, but not in part, at the Issuer's option on 9 December 2024, or any distribution payment date falling thereafter at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower rank.

As the Securities do not contain any contractual obligation to pay cash or other financial assets, in accordance with HKAS 32 "Financial Instruments: Presentation", they are classified as equity for accounting purpose. Any distributions made by the Issuer to the holders of the Securties will be deducted directly to equity in the consolidated financial statements.

28. RESERVES

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value.

(b) Capital reserve

Capital reserve represents differences between the consideration paid/received and the fair value of net assets acquired/disposed of by the Group from/to Zhejiang Geely Holding Group Company Limited, the ultimate holding company of the Company in prior years.

(c) Statutory reserve

As stipulated by the relevant laws and regulations for foreign-invested enterprises in the PRC, the Company's subsidiaries incorporated in the PRC are required to maintain certain statutory reserves.

(d) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(g).

(e) Share option reserve

Share option reserve represents the fair value of share options granted to employees recognised and is dealt with in accordance with the accounting policy set out in note 4(o).

28. RESERVES (Continued)

(f) Accumulated profits

Accumulated profits represent accumulated net profit or losses less dividends paid plus other transfers to or from other reserves.

29. BONDS PAYABLES

On 25 January 2018, the Company issued the bonds with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,944,690,000) (the "Bonds"). The Bonds carried interest at 3.625% per annum, payable semi-annually in arrears on 25 January and 25 July of each year, and the maturity date was 25 January 2023.

The Bonds were listed on Singapore Exchange Securities Trading Limited. They constitute direct, unconditional, unsubordinated and (subject to the terms and conditions of the Bonds) unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by applicable law and subject to the terms and conditions of the Bonds, at all times rank pari passu with all its other present and future unsecured and unsubordinated obligations.

The carrying amount of the Bonds at initial recognition, net of transaction costs, amounted to US$297,296,000 (equivalent to approximately RMB1,927,161,000) and the effective interest rate was 3.825% per annum. The Bonds were carried at amortised cost.

The movements of the Bonds during the year are set out below:

	2019 **RMB'000**	2018 RMB'000
Carrying amount		
At 1 January	**2,047,822**	–
Initial fair value on the date of issuance	**–**	1,927,161
Exchange differences	**8,689**	112,037
Interest expenses	**3,574**	8,624
At 31 December	**2,060,085**	2,047,822

30. DEFERRED TAX ASSETS AND LIABILITIES

The following is the deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements thereon during the year:

	2019 RMB'000	2018 RMB'000
At 1 January	**(364,920)**	(136,837)
Acquisition through business combinations (note 35)	**(2,314)**	(13,538)
Disposed of through disposal of subsidiaries (note 36)	**21,655**	–
Credit to the consolidated income statement (note 10)	**(218,908)**	(214,545)
At 31 December	**(564,487)**	(364,920)

Deferred tax assets

	Unused tax losses RMB'000	**Intangible assets RMB'000**	**Others RMB'000**	**Total RMB'000**
At 1 January 2018	–	169,066	235,742	404,808
Credit/(Charge) to the consolidated income statement	101,308	136,149	(12,844)	224,613
Acquisition through business combinations (note 35)	13,538	–	–	13,538
At 31 December 2018 and 1 January 2019	114,846	305,215	222,898	642,959
Credit to the consolidated income statement	76,945	143,994	21,049	241,988
Acquisition through business combinations (note 35)	2,314	–	–	2,314
Disposed of through disposal of subsidiaries (note 36)	(4,010)	(17,645)	–	(21,655)
At 31 December 2019	**190,095**	**431,564**	**243,947**	**865,606**

30. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax liabilities

	Withholding tax on undistributed profits from the PRC subsidiaries RMB'000
At 1 January 2018	267,971
Charge to the consolidated income statement (note 10)	10,068
At 31 December 2018 and 1 January 2019	278,039
Charge to the consolidated income statement (note 10)	23,080
At 31 December 2019	**301,119**

The deferred tax assets have been offset against certain deferred tax liabilities in the consolidated statement of financial position as they are related to the same entity and related to tax levied by the same tax authority. The amounts recognised in the consolidated statement of financial position are as follows:

	2019 RMB'000	2018 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**(865,606)**	(642,959)
Deferred tax liabilities recognised in the consolidated statement of financial position	**301,119**	278,039
Net deferred tax assets	**(564,487)**	(364,920)

Withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax liabilities have been provided in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries based on the expected dividends payout ratio of these PRC subsidiaries. Deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 profits earned by the PRC subsidiaries amounting to approximately RMB13,752,541,000 (2018: RMB12,219,028,000).

30. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax liabilities (Continued)

As at the reporting date, the Group has not recognised deferred tax assets in respect of tax losses of approximately RMB1,715,741,000 (2018: RMB2,239,044,000). Of the total unrecognised tax losses, approximately RMB10,990,000 (2018: RMB497,505,000) may be carried forward for five years from the year of incurring the loss, and the remaining unrecognised tax losses have no expiry dates. No deferred tax asset has been recognised in respect of those tax losses due to the unpredictability of future profit streams.

31. COMMITMENTS

Capital expenditure commitments

As at the reporting date, the capital commitments not provided for in the consolidated financial statements were as follows:

	2019	2018
	RMB'000	RMB'000
Contracted but not provided for, net of deposits paid		
– purchase of property, plant and equipment	**2,239,904**	4,070,570
– investment in an associate (note (a))	**490,000**	490,000
– investment in a joint venture (note (b))	**654,588**	225,546
	3,384,492	4,786,116

Notes:

(a) On 20 December 2018, Zhejiang Jirun Automobile Company Limited# 浙江吉潤汽車有限公司 ("Jirun Automobile"), an indirect 99% owned subsidiary of the Company, entered into an investment agreement (the "Investment Agreement 1") with Contemporary Amperex Technology Company Limited# 寧德時代新能源科技股份有限公司 ("CATL Battery"), an independent third party, pursuant to which the parties agreed to establish an associate company (the "Associate Company") to principally engage in the research and development, manufacture and sale of battery cells, battery modules and battery packs. Pursuant to the terms of the Investment Agreement 1, the Associate Company will be owned as to 49% by Jirun Automobile and as to 51% by CATL Battery. The registered capital of the Associate Company will be RMB1,000,000,000, and will be contributed as to 49% (equivalent to RMB490,000,000) in cash by Jirun Automobile and as to 51% (equivalent to RMB510,000,000) in cash by CATL Battery. As at 31 December 2019, the formation of the Associate Company was not yet completed. Please refer to the Company's announcement dated 20 December 2018 for further details.

(b) On 12 June 2019, Shanghai Maple Guorun Automobile Company Limited# 上海華普國潤汽車有限公司 ("Shanghai Maple Guorun"), an indirect 99% owned subsidiary of the Company, entered into an investment agreement (the "Investment Agreement 2") with LG Chem Ltd. ("LG Chem"), an independent third party, pursuant to which the parties agreed to establish a joint venture company (the "JV") to principally engage in the production and sales of batteries for electric vehicles. Pursuant to the terms of the Investment Agreement 2, the JV will be owned as to 50% by Shanghai Maple Guorun and as to 50% by LG Chem. The registered capital of the JV will be US$188,000,000 (equivalent to approximately RMB1,309,176,000), and will be contributed as to 50% (US$94,000,000 or equivalent to approximately RMB654,588,000) and 50% (US$94,000,000 or equivalent to approximately RMB654,588,000) by Shanghai Maple Guorun and LG Chem, respectively. As at 31 December 2019, the formation of the JV was not yet completed. Please refer to the Company's announcement dated 12 June 2019 for further details.

31. COMMITMENTS (Continued)

As lessee

As at the reporting date, the lease commitments for short-term leases (2018: total future minimum lease payments payable by the Group under non-cancellable operating leases) are as follows:

	2019	2018
	RMB'000	RMB'000
Office and factory premises		
– Within one year	**826**	26,561
– In the second to fifth years inclusive	**–**	50,073
	826	76,634

As at 31 December 2019, the Group leases a number of office and factory premises which are qualified to be accounted for under short-term lease exemption under HKFRS 16. Details of the leases are set out in note 25.

As at 31 December 2018, the Group leases a number of office and factory premises under operating leases. The leases run for an initial period of two to ten years.

31. COMMITMENTS (Continued)

As lessor

As at the reporting date, the total future minimum lease receipts in respect of certain portion of buildings and plant and machinery under non-cancellable operating leases are receivable as follows:

	2019 **RMB'000**	2018 RMB'000
Buildings		
– Within one year	**3,026**	7,021
– After one year but within two years	**1,518**	7,021
– After two years but within three years	**10**	5,609
– After three years but within four years	**10**	4,198
– After four years but within five years	**10**	4,198
– After five years	**15**	13,642
	4,589	41,689
Plant and machinery		
– Within one year	**3,109**	4,001
– After one year but within two years	**3,109**	4,001
– After two years but within three years	**–**	4,001
– After three years but within four years	**–**	4,001
– After four years but within five years	**–**	4,001
– After five years	**–**	13,003
	6,218	33,008
	10,807	74,697

Leases are negotiated and rental are fixed for an initial period of two to ten years (2018: five to fourteen years).

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

32. RETIREMENT BENEFITS SCHEME

The Group participates in MPF Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

For members of the Mandatory Provident Fund Scheme ("the Scheme"), the Group contributes 5% of the employees' relevant income to the Scheme. Both the employer's and the employees' contributions are subject to a maximum of monthly relevant income of HK$30,000 (equivalent to RMB25,000) per employee. Contributions to the plan vest immediately.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a fixed percentage of the employees' basic salary to the retirement benefit scheme to fund the benefit. The only obligation of the Group in respect of the retirement benefit scheme is to make the specified contributions.

Contributions are made by the Company's subsidiaries in other overseas countries to defined contribution superannuation funds in accordance with the relevant laws and regulations in those countries.

During the year, the aggregate employer's contributions made by the Group amounted to RMB394,121,000 (2018: RMB378,262,000).

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 31 May 2002, a share option scheme was adopted by the Company and is valid and effective for a period of ten years from 31 May 2002 (the "Old Share Option Scheme"). Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 May 2012, a new share option scheme (the "New Share Option Scheme") was adopted to replace the Old Share Option Scheme with the same terms. The Old Share Option Scheme and the New Share Option Scheme are collectively referred to as the "Scheme". After adoption of the New Share Option Scheme, the Old Share Option Scheme was terminated.

The Scheme was adopted for the purpose of providing eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. All directors, full-time employees and any other persons who, in the sole discretion of the Board of Directors, have contributed or will contribute to the Group are eligible to participate in the Scheme.

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option schemes adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption.

Unless approved by the shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option schemes adopted by the Company in any twelve-month period must not exceed 1% of the issued share capital of the Company.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than ten years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within five business days from the date of offer, the offer is delivered to that participant and the amount payable on acceptance of each share option is HK$1.

For those share options granted after 1 January 2010 and prior to 1 January 2015, one-tenth of share options granted will vest in every year from the grant date with one-tenth of options being vested immediately at the date of grant. For those share options granted after 1 January 2015, none of the share options will be vested in the first year, one-fourth of share options granted will vest in every year after the first year of the grant date.

The subscription price for the shares under the Scheme is a price determined by the directors, but not less than the highest of (i) the closing price of shares as stated on the SEHK on the date of the offer of grant; (ii) the average closing price of the shares as stated on the SEHK's daily quotations sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

No options may be granted under the Scheme after the date of the tenth anniversary of its adoption.

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons:

2019

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Exercised during the year	Forfeited during the year	Transfer upon appointment or resignation	Outstanding at 31 December
Directors							
Mr. Ang Siu Lun, Lawrence	18 January 2010 to 17 January 2020	4.07	11,000,000	(11,000,000)	-	-	-
	9 January 2016 to 8 January 2020	2.79	5,000,000	(5,000,000)	-	-	-
Mr. An Cong Hui	18 January 2010 to 17 January 2020	4.07	4,700,000	(4,700,000)	-	-	-
Mr. An Qing Heng	9 January 2016 to 8 January 2020	2.79	630,000	(630,000)	-	-	-
Mr. Gui Sheng Yue	18 January 2010 to 17 January 2020	4.07	11,500,000	(11,500,000)	-	-	-
	9 January 2016 to 8 January 2020	2.79	6,000,000	(6,000,000)	-	-	-
Mr. Li Dong Hui, Daniel	23 March 2012 to 22 March 2022	4.07	3,500,000	(2,100,000)	-	-	1,400,000
Ms. Wei Mei	18 January 2010 to 17 January 2020	4.07	900,000	(900,000)	-	-	-
	23 March 2012 to 22 March 2022	4.07	5,000,000	(4,000,000)	-	-	1,000,000
Mr. Yang Jian	18 January 2010 to 17 January 2020	4.07	9,000,000	(9,000,000)	-	-	-
Mr. Lee Cheuk Yin, Dannis	18 January 2010 to 17 January 2020	4.07	100,000	(100,000)	-	-	-
	9 January 2016 to 8 January 2020	2.79	250,000	(250,000)	-	-	-
Mr. Yeung Sau Hung, Alex	18 January 2010 to 17 January 2020	4.07	100,000	(100,000)	-	-	-
	9 January 2016 to 8 January 2020	2.79	250,000	(250,000)	-	-	-
Mr. Carl Peter Edmund Moriz Forster	9 January 2016 to 8 January 2020	2.79	1,000,000	(400,000)	-	(600,000)	-
Mr. Wang Yang	9 January 2016 to 8 January 2020	2.79	1,000,000	(1,000,000)	-	-	-
			59,930,000	(56,930,000)	-	(600,000)	2,400,000

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons (Continued):

2019 (Continued)

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Exercised during the year	Forfeited during the year	Transfer upon appointment or resignation	Outstanding at 31 December
Employees	18 January 2010 to 17 January 2020	4.07	150,134,000	(115,632,000)	(370,000)	-	34,132,000
	21 April 2010 to 20 April 2020	4.07	4,210,000	(150,000)	-	-	4,060,000
	23 March 2012 to 22 March 2022	4.07	5,850,000	(650,000)	-	-	5,200,000
	9 January 2016 to 8 January 2020	2.79	7,670,000	(7,670,000)	-	-	-
	2 June 2016 to 1 June 2020	4.08	800,000	(500,000)	-	-	300,000
	7 September 2019 to 6 September 2023	15.96	600,000	-	-	-	600,000
			169,264,000	(124,602,000)	(370,000)	-	44,292,000
Other eligible participants	9 January 2016 to 8 January 2020	2.79	-	(600,000)	-	600,000	-
	2 June 2016 to 1 June 2020	4.08	11,450,000	(3,253,000)	-	-	8,197,000
	31 March 2018 to 30 March 2022	12.22	5,500,000	-	-	-	5,500,000
			16,950,000	(3,853,000)	-	600,000	13,697,000
			246,144,000	(185,385,000)	(370,000)	-	60,389,000

	Outstanding at 1 January HK$	Exercised during the year HK$	Forfeited during the year HK$	Outstanding at 31 December HK$
Weighted average exercise price per share	4.17	3.92	4.07	4.93
Weighted average remaining contractual life of options outstanding as at 31 December 2019				0.63 years
Number of options exercisable as at 31 December 2019				53,619,750
Weighted average exercise price per share of options exercisable as at 31 December 2019				HK$4.52

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons (Continued):

2018

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December
Directors							
Mr. Ang Siu Lun, Lawrence	18 January 2010 to 17 January 2020	4.07	11,000,000	–	–	–	11,000,000
	9 January 2016 to 8 January 2020	2.79	5,000,000	–	–	–	5,000,000
Mr. An Cong Hui	18 January 2010 to 17 January 2020	4.07	4,700,000	–	–	–	4,700,000
Mr. An Qing Heng	9 January 2016 to 8 January 2020	2.79	750,000	–	(120,000)	–	630,000
Mr. Gui Sheng Yue	18 January 2010 to 17 January 2020	4.07	11,500,000	–	–	–	11,500,000
	9 January 2016 to 8 January 2020	2.79	6,000,000	–	–	–	6,000,000
Mr. Li Dong Hui, Daniel	23 March 2012 to 22 March 2022	4.07	3,500,000	–	–	–	3,500,000
Ms. Wei Mei	18 January 2010 to 17 January 2020	4.07	900,000	–	–	–	900,000
	23 March 2012 to 22 March 2022	4.07	5,000,000	–	–	–	5,000,000
Mr. Yang Jian	18 January 2010 to 17 January 2020	4.07	9,000,000	–	–	–	9,000,000
Mr. Lee Cheuk Yin, Dannis	18 January 2010 to 17 January 2020	4.07	200,000	–	(100,000)	–	100,000
	9 January 2016 to 8 January 2020	2.79	500,000	–	(250,000)	–	250,000
Mr. Yeung Sau Hung, Alex	18 January 2010 to 17 January 2020	4.07	200,000	–	(100,000)	–	100,000
	9 January 2016 to 8 January 2020	2.79	500,000	–	(250,000)	–	250,000
Mr. Carl Peter Edmund Moriz Forster	9 January 2016 to 8 January 2020	2.79	1,000,000	–	–	–	1,000,000
Mr. Wang Yang	9 January 2016 to 8 January 2020	2.79	1,000,000	–	–	–	1,000,000
			60,750,000	–	(820,000)	–	59,930,000

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

The following table discloses details of the Company's share options under the Scheme held by directors, eligible employees and other persons (Continued):

2018 (Continued)

	Exercisable period	Exercise price per share HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December
Employees	18 January 2010 to 17January 2020	4.07	159,477,000	–	(8,928,000)	(415,000)	150,134,000
	21 April 2010 to 20 April 2020	4.07	4,710,000	–	–	(500,000)	4,210,000
	23 March 2012 to 22 March 2022	4.07	6,450,000	–	(200,000)	(400,000)	5,850,000
	9 January 2016 to 8 January 2020	2.79	8,820,000	–	(1,150,000)	–	7,670,000
	2 June 2016 to 1 June 2020	4.08	800,000	–	–	–	800,000
	7 September 2019 to 6 September 2023	15.96	–	600,000	–	–	600,000
			180,257,000	600,000	(10,278,000)	(1,315,000)	169,264,000
Other eligible participants	2 June 2016 to 1 June 2020	4.08	11,450,000	–	–	–	11,450,000
	31 March 2018 to 30 March 2022	12.22	5,500,000	–	–	–	5,500,000
			16,950,000	–	–	–	16,950,000
			257,957,000	600,000	(11,098,000)	(1,315,000)	246,144,000

	Outstanding at 1 January HK$	Granted during the year HK$	Exercised during the year HK$	Forfeited during the year HK$	Outstanding at 31 December HK$
Weighted average exercise price per share	4.13	15.96	3.87	4.07	4.17
Weighted average remaining contractual life of options outstanding as at 31 December 2018					1.25 years
Number of options exercisable as at 31 December 2018					206,574,600
Weighted average exercise price per share of options exercisable as at 31 December 2018					HK$4.02

33. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS (Continued)

During the year ended 31 December 2018, 600,000 options were granted on 7 September 2018 with estimated fair values of approximately RMB2,286,000. The closing price of the Company's shares on the date on which the options were granted was HK$15.20. The exercise price of the share options granted is HK$15.96 per share.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair values were measured based on Binomial Option Pricing Model. The inputs into the model are as follows:

Grant date	**7 September 2018**
Share price	HK$15.20
Exercise price	HK$15.96
Expected volatility	43.99%
Expected life (expressed as weighted average life used in the modelling under Binomial Option Pricing Model)	5 years
Risk-free interest rate	2.19%
Expected dividend yield	1.17%

Expected volatility was determined by using historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share options granted.

The Group recognised a total expense of RMB5,459,000 (2018: RMB14,594,000) for the year ended 31 December 2019 in relation to share options granted by the Company and the share-based payments were shown as a separate line item on the consolidated income statement.

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties:

(a) Transactions

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Related companies (notes a and b)			
Zhejiang Geely Automobile Company Limited# 浙江吉利汽車有限公司	Sales of complete knock down kits and vehicle tool kits (note d)	**30,448,662**	26,619,927
	Sales of automobile parts and components (note d)	**–**	1,094
	Sales of powertrain and related components (note d)	**–**	212
	Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement) (note d)	**2,654,787**	253,892
	Claims income on defective materials purchased	**283,222**	230,108
	Purchase of complete buildup units (note d)	**31,504,052**	27,101,271
	Purchase of automobile parts and components (note d)	**–**	678
	Sub-contracting fee paid (note d)	**–**	18,571
	Acquisition of a subsidiary (note d) (note 35(b))	**–**	1,169,399
	Claims paid on defective materials sold	**219,976**	217,071
Shanghai Maple Automobile Company Limited# 上海華普汽車有限公司	Sales of automobile parts and components (note d)	**–**	75
	Sales of powertrain and related components (note d)	**12,665**	306
Zhejiang Haoqing Automobile Manufacturing Company Limited# 浙江豪情汽車製造有限公司	Sales of complete knock down kits and vehicle tool kits (note d)	**50,199,036**	63,422,157
	Sales of complete knock down kits (electric vehicles) (note d)	**–**	175,319
	Claims income on defective materials purchased	**382,986**	249,713
	Purchase of complete buildup units (note d)	**49,725,051**	63,063,671
	Purchase of automobile parts and components (note d)	**–**	1
	Claims paid on defective materials sold	**382,525**	266,859
Zhejiang Geely Automobile Industry Company Limited# 浙江吉利汽車實業有限公司	Disposal of subsidiaries (note d) (note 36)	**507,135**	–
	Operational service fee (note d)	**30,653**	–
Zhejiang Geely Automobile Parts and Components Company Limited# 浙江吉利汽車零部件採購有限公司	Claims income on defective materials purchased	**12,987**	71,624
	Purchase of automobile parts and components (note d)	**2,190,782**	16,723,802

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Related companies (notes a and b)			
Shanghai LTI Automobile Company Limited# 上海英倫帝華汽車有限公司	Sales of automobile parts and components (note d)	**–**	843
	Purchase of automobile parts and components (note d)	**8,097**	19,783
Ningbo Geely Automobile R&D Company Limited.# 寧波吉利汽車研究開發有限公司	Sales of complete knock down kits and vehicle tool kits (note d)	**3,027**	4,112
	Sales of powertrain and related components (note d)	**20,812**	25,984
	Purchase of automobile parts and components (note d)	**8,259**	14,664
	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**8,953**	–
	License fee income receivable (note d)	**480,000**	–
	Research, development and technology support service income (note d)	**44,693**	–
	Research, development and technology support service fee (note d)	**26,025**	–
	Operational service income (note d)	**48,652**	–
Hangzhou Geely New Energy Automobile Sales Company Limited# 杭州吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note d)	**175,785**	4,445,741
	Sales of automobile parts and components (note d)	**–**	4
	Purchase of complete buildup units (note d)	**–**	817
Xiamen Geely Automobile Sales Company Limited# 廈門吉利汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note d)	**82,400**	8,804

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Related companies (notes a and b)			
Yiwu Geely Engine Company Limited# 義烏吉利發動機有限公司	Sales of powertrain and related components (note d)	**2,938**	22,054
	Sales of automobile parts and components (note d)	**–**	101
	Purchase of automobile parts and components (note d)	**3,484**	50
	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**235**	–
	Acquisition of a subsidiary (note d) (note 35(a))	**322,206**	–
Hangzhou Youhang Technology Company Limited# 杭州優行科技有限公司	Sales of complete buildup units (electric vehicles) (note d)	**1,102,047**	–
Hangzhou Zhongyue Mobility Technology Co., Ltd.# 杭州眾悦出行科技有限公司	Sales of complete buildup units (electric vehicles) (note d)	**65,154**	–
Hubei Ecarx Company Limited# 湖北億咖通科技有限公司	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**1,158,939**	–
Zhejiang Ecarx Company Limited# 浙江億咖通科技有限公司	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**59,860**	–
Shenzhen Geely Automobile Sales Company Limited# 深圳吉利汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note d)	**460,311**	529,904
Shanxi New Energy Automobile Industrial Company Limited# 山西新能源汽車工業有限公司	Sales of automobile parts and components (note d)	**–**	291
	Sales of complete knock down kits and vehicle tool kits (note d)	**2,462,823**	1,495
	Purchase of complete buildup units (note d)	**2,115,574**	–

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Related companies (notes a and b)			
Hangzhou Geely Yiyun Technology Company Limited# 杭州吉利易雲科技有限公司	IT services expenses	**34,982**	69,234
Zhejiang Geely Business Services Company Limited# 浙江吉利商務服務有限公司	Business travel services expenses (note d)	**103,087**	125,619
Kandi Electric Vehicles (Shanghai) Co., Ltd.# 康迪電動汽車(上海)有限公司	Sales of automobile parts and components (note d)	**–**	85,053
Kandi Electric Vehicles Jiangsu Co., Ltd.# 康迪電動汽車江蘇有限公司	Sales of automobile parts and components (note d)	**546**	–
Viridi E-Mobility Technology (Suzhou) Co., Ltd.# 威睿電動汽車技術(蘇州)有限公司	Purchase of automobile parts and components (note d)	**–**	87,113
	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**360,953**	–
	Sales of automobile parts and components (note d)	**–**	386
	Sales of complete knock down kits (note d)	**1,730**	–
Viridi E-Mobility Technology (Ningbo) Co., Ltd# 威睿電動汽車技術(寧波)有限公司	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**708,840**	–

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Related companies (notes a and b)			
Zhejiang Kingkong Automobile Company Limited# 浙江金剛汽車有限公司	Purchase of automobile parts and components (note d)	**–**	71
Yaou Automobile Manufacturing (Taizhou) Company Limited# 亞歐汽車製造(台州)有限公司	Sales of powertrain and related components (note d)	**353,843**	249,267
	Sales of automobile parts and components (note d)	**–**	50
	Sales of automobile parts and components (Automobile Parts Supply Agreement) (note d)	**26,489**	–
	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**750**	–
	Purchase of automobile parts and components (note d)	**–**	120
Shanghai Meihuan Trade Company Limited# 上海美寰貿易有限公司	Sales of complete buildup units, complete knock down kits and related after-sales parts (Proton Sales Agreement) (note d)	**67,989**	–
	Sales of automobile parts and components (note d)	**–**	5,621
Yiwu Geely Powertrain Company Limited# ("YW Geely") (note f) 義烏吉利動力總成有限公司	Sales of powertrain and related components (note d)	**1,349**	–
	Purchase of automobile parts and components (note d)	**6,047**	–
Guiyang Geely Engine Company Limited# 貴陽吉利發動機有限公司	Acquisition of a subsidiary (note 35(e))	**–**	484,003
	Sales of powertrain and related components (note d)	**–**	12,788
Taizhou Geely Luoyou Engine Company Limited# 台州吉利羅佑發動機有限公司	Acquisition of a subsidiary (note 35(f))	**–**	781,274
	Sales of powertrain and related components (note d)	**–**	3,352

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Related companies (notes a and b)			
Hangzhou Geely Automobile Components Company Limited# 杭州吉利汽車部件有限公司	Acquisition of a subsidiary (note 35(c))	**–**	930,620
Guizhou Geely New Energy Automobile Company Limited# 貴州吉利新能源汽車有限公司	Acquisition of a subsidiary (note 35(d))	**–**	1,074,309
	Sales of automobile parts and components (note d)	**–**	196
	Sales of powertrain and related components (note d)	**–**	733
Guangzhou Geely New Energy Automobile Sales Company Limited# 廣州吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note d)	**447,162**	245,727
Fuzhou Geely Emgrand New Energy Automobile Sales Company Limited# 福州吉利帝豪新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note d)	**150,311**	5,467
Xian Geely New Energy Automobile Sales Company Limited# 西安吉利新能源汽車銷售有限公司	Sales of complete buildup units (electric vehicles) (note d)	**188,876**	102,101
London EV Company Limited	Sales of powertrain and related components (note d)	**36,520**	25,920
Zhejiang Xuan Fu Automatic Transmission Company Limited# 浙江軒孚自動變速器有限公司	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**15,609**	–

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Related companies (notes a and b)			
Zhejiang Jizhi New Energy Automobile Technology Company Limited# 浙江吉智新能源汽車科技有限公司	Sales of complete knock down kits (note d)	**930**	–
Zhejiang Geely New Energy Commercial Vehicle Group Company Limited# 浙江吉利新能源商用車集團有限公司	Sales of powertrain and related components (note d)	**393**	–
	Sales of complete knock down kits (note d)	**365**	–
Zhangjiakou Volvo Automobile Engines Manufacturing Company Limited# 張家口沃爾沃汽車發動機製造有限公司	Purchase of automobile parts and components (note d)	**2,244**	–
Taizhou Haoqing Automobile Sales Company Limited# 台州豪情汽車銷售有限公司	Sales of complete knock down kits (note d)	**10,441**	–
Zhejiang Zhihui Puhua Financial Leasing Company Limited# 浙江智慧普華融資租賃有限公司	Sales of complete buildup units (electric vehicles) (note d)	**45,310**	–
China-Euro Vehicle Technology AB	Sales of powertrain and related components (note d)	**819**	–

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Related companies (notes a and b)			
SCI Seating (Ningbo) Co., Ltd.# 舒茨曼座椅(寧波)有限公司	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**45,753**	–
Zhejiang Jichuang Auto Parts Company Limited# 浙江吉創汽車零部件有限公司	Purchase of automobile components (Automobile Components Procurement Agreement) (note d)	**41,755**	–
Geely Changxing Automatic Transmission Company Limited# 吉利長興自動變速器有限公司	Sales of powertrain and related components (note d)	**937**	–
Volvo Personvagnar AB	Sales of powertrain and related components (note d)	**39,598**	–
Microcity Electric Automobile Services (Taizhou) Company Ltd.# 左中右電動汽車服務(台州)有限公司	Sales of complete knock down kits (note d)	**5,769**	–
Geely Sichuan Commercial Vehicle Company Limited# 吉利四川商用車有限公司	Sales of powertrain and related components (note d)	**4,190**	–
Sichuan Geely Automobile Parts Company Limited# 四川吉利汽車部件有限公司	Sales of powertrain and related components (note d)	**2,478**	–

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with connected and related parties (Continued):

(a) Transactions (Continued)

Name of related parties	Nature of transactions	2019 RMB'000	2018 RMB'000
Associates			
Mando (Ningbo) Automotive Parts Co., Limited# 萬都(寧波)汽車零部件有限公司	Purchase of automobile parts and components	**2,432,324**	3,074,562
BELGEE	Sales of automobile parts and components	**629,102**	205,659
Joint ventures			
LYNK & CO Automobile Sales Company Limited# 領克汽車銷售有限公司	Sales of powertrain and related components (note d)	**3,202**	1,356
	Storage fees for provision of warehouse services (note d)	**22,826**	–
Kaiyue Auto Parts Manufacture (Zhangjiakou) Co., Ltd.# 凱悦汽車大部件製造(張家口)有限公司	Sales of powertrain and related components (note d)	**1,533,271**	906,175
	Operational service income (note d)	**2,580**	–
Yuyao LYNK & CO Auto Parts Company Limited# 余姚領克汽車部件有限公司	Sales of powertrain and related components (note d)	**22,215**	–
Ultimate holding company			
Zhejiang Geely Holding Group Company Limited# ("Geely Holding") 浙江吉利控股集團有限公司	Acquisition of property, plant and equipment (notes d and e)	**–**	32,869

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

Notes:

(a) The Group and the related companies are under the common control of the substantial shareholder of the Company's ultimate holding company.

(b) The Group does not have the automobile catalogue issued by the National Development Reform Commission in the PRC which is required to facilitate payment of the PRC consumption tax. The related parties referred to above have the relevant automobile catalogue license and therefore the sales of complete knock down kits and vehicle tool kits to and purchase of complete buildup units from related parties as set out above have been presented on a net basis in the consolidated income statement (to the extent that they are back-to-back transactions) since the said related parties in effect only act as a channel to facilitate the payment of the PRC consumption tax. For the same reason, the related claims income from and claims expenses paid to these related parties have also been presented on a net basis as long as they are back-to-back transactions.

(c) The related party transactions were conducted in the Group's normal course of business and at prices and terms no less than those charged to and contracted with other third parties of the Group.

(d) The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are disclosed in "Directors' Report" section to the annual report.

(e) Pursuant to the acquisition agreement dated 5 October 2018, the Company entered into a transaction with Geely Holding, pursuant to which the Group agreed to acquire and the Geely Holding Group agreed to sell the assets comprising predominantly imported equipment for use in the Group's production and research and development, as well as a small amount of office equipment and software system for a maximum consideration of approximately RMB679,871,000.

(f) YW Geely had been acquired by the Group in July 2019 (note 35(a)). The transactions represented sales and purchases before acquisition.

(b) Remuneration of key management personnel

The remuneration of directors (as disclosed in note 13) and other members of key management personnel during the year are as follows:

	2019 **RMB'000**	2018 RMB'000
Short-term benefits	**16,967**	17,131
Retirement scheme contribution	**244**	233
Equity settled share-based payments	**5,459**	14,594
	22,670	31,958

34. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(b) Remuneration of key management personnel (Continued)

The remuneration of directors and key management personnel are determined by the remuneration committee having regard to the performance of individuals and market

Other than the material related party transactions disclosed above, no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

35. BUSINESS COMBINATIONS

(a) Yiwu Geely Powertrain Company Limited# 義烏吉利動力總成有限公司 ("YW Geely")

On 29 April 2019, Zhejiang Geely Powertrain Company Limited# 浙江吉利動力總成有限公司 ("Zhejiang Powertrain"), an indirect 99% owned subsidiary of the Company, and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Zhejiang Powertrain has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of YW Geely for a cash consideration of approximately RMB322,206,000. YW Geely is engaged in the technology research and development, technology consultancy services, manufacture and sale of vehicle engines and provision of after-sales services in the PRC. The acquisition of YW Geely was completed on 30 July 2019. Please refer to the Company's circular dated 22 May 2019 for further details.

35. BUSINESS COMBINATIONS (Continued)

(a) Yiwu Geely Powertrain Company Limited# 義烏吉利動力總成有限公司 ("YW Geely") (Continued)

The assets acquired and liabilities recognised at the acquisition date are as follows:

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Property, plant and equipment (note 14)	1,713,308	–	1,713,308
Intangible assets (note 15)	356,393	–	356,393
Land lease prepayments (note 16)	48,534	173	48,707
Deferred tax assets (note 30)	2,314	–	2,314
Trade and other receivables	13,994	–	13,994
Inventories	32,563	–	32,563
Bank balances and cash	1,517	–	1,517
Trade and other payables	(1,862,982)	–	(1,862,982)
	305,641	173	305,814
Goodwill arising on acquisition (note 17):			
Cash consideration transferred			322,206
Fair value of identifiable net assets acquired			(305,814)
			16,392
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(322,206)
Bank balances and cash acquired			1,517
			(320,689)

35. BUSINESS COMBINATIONS (Continued)

(a) Yiwu Geely Powertrain Company Limited# 義烏吉利動力總成有限公司 ("YW Geely") (Continued)

No acquisition-related costs had been incurred in relation to the acquisition.

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities. Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

YW Geely has contributed revenue of RMBNil and loss of RMB15,243,000, respectively from the acquisition date to 31 December 2019.

If the acquisition had occurred on 1 January 2019, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2019 would be RMB97,401,248,000 and RMB8,244,703,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2019 and could not serve as a basis for the forecast of future operation results.

(b) Ningbo Jirun Automobile Components Company Limited# 寧波吉潤汽車部件有限公司 ("Ningbo Jirun")

On 18 July 2018 Jirun Automobile, an indirect 99% owned subsidiary of the Company, and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Jirun Automobile has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of Ningbo Jirun for a cash consideration of approximately RMB1,169,399,000. Ningbo Jirun is engaged in the research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC. The acquisition of Ningbo Jirun was completed on 28 September 2018. Please refer to the Company's circular dated 16 August 2018 for further details.

35. BUSINESS COMBINATIONS (Continued)

(b) Ningbo Jirun Automobile Components Company Limited# 寧波吉潤汽車部件有限公司 ("Ningbo Jirun") (Continued)

The assets acquired and liabilities recognised at the acquisition date are as follows:

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Property, plant and equipment (note 14)	2,555,650	–	2,555,650
Intangible assets (note 15)	113,409	–	113,409
Land lease prepayments (note 16)	177,727	41,100	218,827
Trade and other receivables	371,571	–	371,571
Inventories	105,485	–	105,485
Bank balances and cash	24,740	–	24,740
Trade and other payables	(2,221,404)	–	(2,221,404)
	1,127,178	41,100	1,168,278
Goodwill arising on acquisition (note 17):			
Cash consideration transferred			1,169,399
Fair value of identifiable net assets acquired			(1,168,278)
			1,121
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(1,169,399)
Bank balances and cash acquired			24,740
			(1,144,659)

35. BUSINESS COMBINATIONS (Continued)

(b) Ningbo Jirun Automobile Components Company Limited# 寧波吉潤汽車部件有限公司 ("Ningbo Jirun") (Continued)

No acquisition-related costs had been incurred in relation to the acquisition.

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities. Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Ningbo Jirun has contributed revenue of RMBNil and loss of RMB53,176,000, respectively from the acquisition date to 31 December 2018.

If the acquisition had occurred on 1 January 2018, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2018 would be RMB106,595,133,000 and RMB12,642,667,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2018 and could not serve as a basis for the forecast of future operation results.

(c) Hangzhou Geely Automobile Company Limited# 杭州吉利汽車有限公司 ("Hangzhou Automobile")

On 18 July 2018, Jirun Automobile and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Jirun Automobile has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of Hangzhou Automobile for a cash consideration of approximately RMB930,620,000. Hangzhou Automobile is engaged in the research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC. The acquisition of Hangzhou Automobile was completed on 5 September 2018. Please refer to the Company's circular dated 16 August 2018 for further details.

35. BUSINESS COMBINATIONS (Continued)

(c) Hangzhou Geely Automobile Company Limited# 杭州吉利汽車有限公司 ("Hangzhou Automobile") (Continued)

The assets acquired and liabilities recognised at the acquisition date are as follows:

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Property, plant and equipment (note 14)	1,139,387	–	1,139,387
Intangible assets (note 15)	18,376	–	18,376
Land lease prepayments (note 16)	327,562	44,500	372,062
Trade and other receivables	207,648	–	207,648
Inventories	440	–	440
Bank balances and cash	19,380	–	19,380
Trade and other payables	(827,536)	–	(827,536)
	885,257	44,500	929,757
Goodwill arising on acquisition (note 17):			
Cash consideration transferred			930,620
Fair value of identifiable net assets acquired			(929,757)
			863
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(930,620)
Bank balances and cash acquired			19,380
			(911,240)

35. BUSINESS COMBINATIONS (Continued)

(c) Hangzhou Geely Automobile Company Limited# 杭州吉利汽車有限公司 ("Hangzhou Automobile") (Continued)

No acquisition-related costs had been incurred in relation to the acquisition.

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities. Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Hangzhou Automobile has contributed revenue of RMBNil and loss of RMB29,277,000, respectively from the acquisition date to 31 December 2018.

If the acquisition had occurred on 1 January 2018, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2018 would be RMB106,595,133,000 and RMB12,662,961,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2018 and could not serve as a basis for the forecast of future operation results.

(d) Guizhou Geely Automobile Components Company Limited# 貴州吉利汽車部件有限公司 ("Guizhou Automobile")

On 18 July 2018, Jirun Automobile and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Jirun Automobile has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of Guizhou Automobile for a cash consideration of approximately RMB1,074,309,000. Guizhou Automobile is engaged in the research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC. The acquisition of Guizhou Automobile was completed on 5 September 2018. Please refer to the Company's circular dated 16 August 2018 for further details.

35. BUSINESS COMBINATIONS (Continued)

(d) **Guizhou Geely Automobile Components Company Limited# 貴州吉利汽車部件有限公司 ("Guizhou Automobile") (Continued)**

The assets acquired and liabilities recognised at the acquisition date are as follows:

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Property, plant and equipment (note 14)	1,682,667	–	1,682,667
Intangible assets (note 15)	299,095	–	299,095
Land lease prepayments (note 16)	264,148	28,000	292,148
Trade and other receivables	283,863	–	283,863
Inventories	29,506	–	29,506
Bank balances and cash	10,651	–	10,651
Trade and other payables	(1,527,437)	–	(1,527,437)
	1,042,493	28,000	1,070,493
Goodwill arising on acquisition (note 17):			
Cash consideration transferred			1,074,309
Fair value of identifiable net assets acquired			(1,070,493)
			3,816
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(1,074,309)
Bank balances and cash acquired			10,651
			(1,063,658)

35. BUSINESS COMBINATIONS (Continued)

(d) Guizhou Geely Automobile Components Company Limited# 貴州吉利汽車部件有限公司 ("Guizhou Automobile") (Continued)

No acquisition-related costs had been incurred in relation to the acquisition.

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities. Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Guizhou Automobile has contributed revenue of RMBNil and loss of RMB35,194,000, respectively from the acquisition date to 31 December 2018.

If the acquisition had occurred on 1 January 2018, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2018 would be RMB106,595,133,000 and RMB12,669,490,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2018 and could not serve as a basis for the forecast of future operation results.

(e) Guizhou Geely Engine Company Limited# 貴州吉利發動機有限公司 ("Guizhou Engine")

On 5 October 2018, Zhejiang Powertrain and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Zhejiang Powertrain has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of Guizhou Engine for a cash consideration of approximately RMB484,003,000. Guizhou Engine is engaged in the preparation and construction of engine manufactory project in the PRC. The acquisition of Guizhou Engine was completed on 10 December 2018. Please refer to the Company's circular dated 20 November 2018 for further details.

35. BUSINESS COMBINATIONS (Continued)

(e) Guizhou Geely Engine Company Limited# 貴州吉利發動機有限公司 ("Guizhou Engine") (Continued)

The assets acquired and liabilities recognised at the acquisition date are as follows:

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Property, plant and equipment (note 14)	874,643	–	874,643
Deferred tax assets (note 30)	5,269	–	5,269
Intangible assets (note 15)	112,710	–	112,710
Land lease prepayments (note 16)	48,851	12,300	61,151
Trade and other receivables	167,279	–	167,279
Inventories	4,493	–	4,493
Bank balances and cash	55,122	–	55,122
Trade and other payables	(800,375)	–	(800,375)
	467,992	12,300	480,292
Goodwill arising on acquisition (note 17):			
Consideration payable (note 23)			484,003
Fair value of identifiable net assets acquired			(480,292)
			3,711
Cash inflow arising on acquisition of a subsidiary:			
Bank balances and cash acquired			55,122

35. BUSINESS COMBINATIONS (Continued)

(e) Guizhou Geely Engine Company Limited# 貴州吉利發動機有限公司 ("Guizhou Engine") (Continued)

No acquisition-related costs had been incurred in relation to the acquisition.

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities. Goodwill arose because the consideration to be paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Guizhou Engine has not contributed any revenue and loss from the acquisition date to 31 December 2018.

If the acquisition had occurred on 1 January 2018, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2018 would be RMB106,595,133,000 and RMB12,658,553,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2018 and could not serve as a basis for the forecast of future operation results.

(f) Taizhou Binhai Geely Engine Company Limited# 台州濱海吉利發動機有限公司 ("Binhai Engine")

On 5 October 2018, Zhejiang Powertrain and a fellow subsidiary owned by the Company's ultimate holding company entered into an acquisition agreement pursuant to which Zhejiang Powertrain has conditionally agreed to acquire, and the fellow subsidiary has conditionally agreed to sell the entire equity interests of Binhai Engine for a cash consideration of approximately RMB781,274,000. Binhai Engine is engaged in the preparation and construction of engine manufactory project in the PRC. The acquisition of Binhai Engine was completed on 14 December 2018. Please refer to the Company's circular dated 20 November 2018 for further details.

35. BUSINESS COMBINATIONS (Continued)

(f) Taizhou Binhai Geely Engine Company Limited# 台州濱海吉利發動機有限公司 ("Binhai Engine") (Continued)

The assets acquired and liabilities recognised at the acquisition date are as follows:

	Pre-acquisition carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
The net assets acquired:			
Property, plant and equipment (note 14)	1,018,691	–	1,018,691
Deferred tax assets (note 30)	8,269	–	8,269
Intangible assets (note 15)	248,722	–	248,722
Land lease prepayments (note 16)	70,504	26,400	96,904
Trade and other receivables	215,648	–	215,648
Inventories	105,435	–	105,435
Bank balances and cash	1,284	–	1,284
Trade and other payables	(914,503)	–	(914,503)
	754,050	26,400	780,450
Goodwill arising on acquisition (note 17):			
Consideration payable (note 23)			781,274
Fair value of identifiable net assets acquired			(780,450)
			824
Cash inflow arising on acquisition of a subsidiary:			
Bank balances and cash acquired			1,284

35. BUSINESS COMBINATIONS (Continued)

(f) Taizhou Binhai Geely Engine Company Limited# 台州濱海吉利發動機有限公司 ("Binhai Engine") (Continued)

No acquisition-related costs had been incurred in relation to the acquisition.

As a result of the acquisition, the Group is expected to increase its manufacturing capacity to meet the increasing demand of automobiles in the PRC, as well as enhancing its production capabilities. Goodwill arose because the consideration to be paid included amounts in relation to the revenue growth and future market development of the businesses acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Binhai Engine has not contributed any revenue and loss from the acquisition date to 31 December 2018.

If the acquisition had occurred on 1 January 2018, the consolidated revenue and consolidated profit of the Group for the year ended 31 December 2018 would be RMB106,595,133,000 and RMB12,649,452,000, respectively. The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2018 and could not serve as a basis for the forecast of future operation results.

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

36. DISPOSAL OF SUBSIDIARIES

Disposal of Jinan Geely Automobile Company Limited# 濟南吉利汽車有限公司 and its subsidiary ("Jinan Geely Group")

On 26 November 2019, the Group entered into a disposal agreement with a fellow subsidiary owned by the Company's ultimate holding company for the disposal of the entire interests in Jinan Geely Group, of which members are indirect 99% owned subsidiaries of the Company, at an aggregate cash consideration of approximately RMB507,135,000 ("JN Disposal"). JN Disposal was completed on 3 December 2019. Please refer to the Company's announcement dated 26 November 2019 for further details. The net assets disposed of at the disposal date are set out as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment (note 14)	468,147
Intangible assets (note 15)	141,358
Land lease prepayments (note 16)	170,338
Deferred tax assets (note 30)	21,655
Inventories	8,555
Trade and other receivables	915,660
Bank balances and cash	2,699
Trade and other payables	(1,402,043)
Income tax payable	(2,301)
	324,068
Gain on disposal of subsidiaries:	
Consideration receivable (included in utility deposits and other receivables in note 21)*	507,135
Net assets disposed of	(324,068)
	183,067
Cash outflow arising on disposal:	
Bank balances and cash disposed of	(2,699)

* Consideration receivable of RMB507,135,000 is received in full subsequent to the reporting date.

The English translation of the name of the company established in the PRC is for reference only. The official name of this company is in Chinese.

37. NON-CASH TRANSACTIONS

The Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

During the year ended 31 December 2019, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to RMB32,929,000 was recognised at the lease commencement date.

38. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt (which includes bonds payables and bank borrowings) and equity attributable to equity holders of the Company, comprising issued share capital, perpetual capital securities and reserves.

Gearing ratio

The Company's Board of Directors reviews the capital structure on a regular basis. As part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital. The Group does not have a specific target gearing ratio determined as the proportion of debt to equity but will closely monitor the fluctuations of the gearing ratio.

The gearing ratio as at the reporting date was as follows:

	2019 **RMB'000**	2018 RMB'000
Debt	**4,149,195**	3,423,102
Equity attributable to equity holders of the Company	**54,435,626**	44,943,977
Debt to equity ratio	**8%**	8%

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to market risk (including interest rate risk and currency risk), credit risk and liquidity risk arise in the normal course of the Group's business. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

These risks are limited by the Group's financial management policies and practices described below.

Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2019 **RMB'000**	2018 RMB'000
Financial assets		
Financial assets carried at amortised cost		
– Trade and other receivables	**21,531,826**	19,119,515
– Pledged bank deposits	**40,393**	19,392
– Bank balances and cash	**19,281,216**	15,737,196
	40,853,435	34,876,103
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade and other payables	**41,326,709**	36,189,368
– Bank borrowings	**2,089,110**	1,375,280
– Bonds payables	**2,060,085**	2,047,822
– Lease liabilities	**63,589**	–
	45,539,493	39,612,470

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The maximum exposure to credit risk without taking into account any collateral held is represented by the carrying amount of each financial asset, in the consolidated statement of financial position after deducting any loss allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

In respect of trade and other receivables, credit evaluations are performed on customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic and business environment in which the customer operates. Normally, the Group does not obtain collateral from customers. In addition, most of the debtors have good credit quality as set out in note 21(a) to the consolidated financial statements.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

As at 31 December 2019, the Group has adopted average expected loss rate of 5% (2018: 5%) on the gross carrying amounts of the trade receivables amounted to RMB2,639,209,000 (2018: RMB1,131,343,000). The loss allowance as at 31 December 2019 is RMB85,894,000 (2018: RMB47,652,000).

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

Trade receivables (Continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019 **RMB'000**	2018 RMB'000
Balance at 1 January	**47,652**	37,993
Impairment losses recognised during the year	**38,242**	9,659
Balance at 31 December	**85,894**	47,652

Other financial assets at amortised cost

Other financial assets at amortised cost include notes receivables, utility deposits and other receivables, pledged time deposits and bank balances and cash. In order to minimise the credit risk of utility deposits and other receivables, the management makes periodic collective and individual assessment on their recoverability based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

Besides, the management is of opinion that there is no significant increase in credit risk on these utility deposits and other receivables since initial recognition as the risk of default is low after considering the factors as set out in note 4(h) and, thus ECL recognised is based on 12-month ECL.

The credit risk on notes receivables is considered to be insignificant because there was no material default by the counterparties in the past.

The credit risks on pledged time deposits and bank balances and cash are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows including interest and the contractual maturities.

	Weighted average effective interest rate %	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years RMB'000	Total contractual undiscounted cash flows RMB'000	Total carrying amount as at 31 December RMB'000
2019						
Financial liabilities measured at amortised cost						
Trade and other payables	N/A	41,326,709	–	–	41,326,709	41,326,709
Bank borrowings	2.71	56,615	56,615	2,117,417	2,230,647	2,089,110
Bonds payables	3.83	75,730	75,730	2,164,840	2,316,300	2,060,085
Lease liabilities	4.69	39,706	25,671	1,292	66,669	63,589
		41,498,760	158,016	4,283,549	45,940,325	45,539,493

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years RMB'000	Total contractual undiscounted cash flows RMB'000	Total carrying amount as at 31 December RMB'000
2018						
Financial liabilities measured at amortised cost						
Trade and other payables	N/A	36,189,368	–	–	36,189,368	36,189,368
Bank borrowings (note)	3.57	1,375,280	–	–	1,375,280	1,375,280
Bonds payables	3.83	74,781	74,781	2,249,872	2,399,434	2,047,822
		37,639,429	74,781	2,249,872	39,964,082	39,612,470

Note:

Bank borrowings with a repayment on demand clause are included in the "Within one year or on demand" time band in the above maturity analysis. As at 31 December 2018, the aggregate carrying amounts of these bank borrowings amounted to RMB1,375,280,000. Taking into account the Group's financial position, the directors do not believe that it is probable that the bank will exercise their discretionary rights to demand immediate repayment. The management believes that such bank borrowings will be repaid in accordance with the scheduled repayment date set out in the loan agreement. At that time, the aggregate principal and interest cash outflows would be amounted to RMB1,416,195,000 which will be repaid within one year, from the reporting date.

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from short-term and long-term borrowings. Lease liabilities (note 25) and bonds payables (note 29) bearing fixed rates and bank borrowings (note 24) bearing variable rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively.

The interest rate profile of the Group as at the reporting date has been set out in the liquidity risk section of this note.

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Interest rate risk (Continued)

As at 31 December 2019, it is estimated that an increase/(decrease) of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and accumulated profits by approximately RMB20,891,000 (2018: RMB13,753,000).

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve month period.

The calculations are based on a change in average market interest rates for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. The analysis is performed on the same basis as 2018.

Currency risk

The Group is exposed to currency risks primarily through sales and purchases which give rise to receivables, payables, interest bearing borrowings and bank balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The foreign currencies giving rise to this risk are primarily HK$, US$, Russian Rouble ("RUB") and Euro.

The following table details the Group's exposure as at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2019				2018			
	HK$	**US$**	**RUB**	**Euro**	HK$	US$	RUB	Euro
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Bank balances and cash	**696,594**	**1,958,269**	**237,252**	**3,545**	70,912	203,656	211,679	74,819
Trade and other receivables	**652**	**5,766**	**794,817**	**–**	647	325,915	243,578	–
Bonds payables	**–**	**(2,060,085)**	**–**	**–**	–	(2,047,822)	–	–
Bank borrowings	**–**	**(2,089,110)**	**–**	**–**	–	(1,375,280)	–	–
Trade and other payables	**–**	**(77,496)**	**(103,564)**	**(11)**	–	(36,365)	–	–
Net exposure arising from recognised assets and liabilities	**697,246**	**(2,262,656)**	**928,505**	**3,534**	71,559	(2,929,896)	455,257	74,819

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Currency risk (Continued)

As the Group is mainly exposed to the effects of fluctuation in HK$/US$/RUB/Euro, the following table indicates the approximate change in the Group's profit after taxation and accumulated profits. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% change in foreign currency rate. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2018. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the Group entities' profit after taxation and accumulated profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the reporting date for presentation purposes.

	Impact of HK$		Impact of US$		Impact of RUB		Impact of Euro	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Profit after taxation/Accumulated profits	**34,862**	3,578	**(115,724)**	(150,587)	**44,084**	21,064	**141**	2,815

Fair value measurements of financial instruments

Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the financial instruments of the Group's carried at cost or amortised cost are not materially different from their fair values as at 31 December 2019 and 2018.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 RMB'000	2018 RMB'000
Non-current assets		
Property, plant and equipment	**4,414**	186
Investments in subsidiaries	**–***	–*
Interest in a joint venture	**3,796,241**	1,788,972
	3,800,655	1,789,158
Current assets		
Other receivables	**1,986**	1,923
Amounts due from subsidiaries	**5,115,840**	5,420,270
Bank balances and cash	**2,383,074**	156,567
	7,500,900	5,578,760
Current liabilities		
Other payables	**474,088**	64,656
Bank borrowings	**–**	1,375,280
Lease liabilities	**2,561**	–
	476,649	1,439,936
Net current assets	**7,024,251**	4,138,824
Total assets less current liabilities	**10,824,906**	5,927,982
Capital and reserves		
Share capital	**167,733**	164,470
Perpetual capital securities	**3,413,102**	–
Reserves (note)	**3,093,132**	3,715,690
Total equity	**6,673,967**	3,880,160
Non-current liabilities		
Bonds payables	**2,060,085**	2,047,822
Bank borrowings	**2,089,110**	–
Lease liabilities	**1,744**	–
	4,150,939	2,047,822
	10,824,906	5,927,982

* The balance represented an amount less than RMB1,000

Approved and authorised for issue by the Board of Directors on 30 March 2020.

Li Shu Fu
Director

Gui Sheng Yue
Director

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movement of reserves represents:

	Share premium# RMB'000	Share option reserve RMB'000	Accumulated losses# RMB'000	Total RMB'000
Balance at 1 January 2018	6,641,202	381,898	(3,049,161)	3,973,939
Profit for the year	–	–	1,852,559	1,852,559
Transaction with owners:				
Equity settled share-based payments (note 33)	–	14,594	–	14,594
Share issued under share option scheme (note 26)	51,095	(15,669)	–	35,426
Transfer upon forfeiture of share options	–	(2,727)	2,727	–
Dividends paid to equity holders of the Company (note 11)	–	–	(2,160,828)	(2,160,828)
Total transactions with owners	51,095	(3,802)	(2,158,101)	(2,110,808)
Balance at 31 December 2018	6,692,297	378,096	(3,354,703)	3,715,690
Balance at 1 January 2019	**6,692,297**	**378,096**	**(3,354,703)**	**3,715,690**
Profit for the year	**–**	**–**	**1,541,553**	**1,541,553**
Transaction with owners:				
Equity settled share-based payments (note 33)	**–**	**5,459**	**–**	**5,459**
Share issued under share option scheme (note 26)	**899,295**	**(263,105)**	**–**	**636,190**
Transfer upon forfeiture of share options	**–**	**(20,149)**	**20,149**	**–**
Dividends paid to equity holders of the Company (note 11)	**–**	**–**	**(2,805,760)**	**(2,805,760)**
Total transactions with owners	**899,295**	**(277,795)**	**(2,785,611)**	**(2,164,111)**
Balance at 31 December 2019	**7,591,592**	**100,301**	**(4,598,761)**	**3,093,132**

As at 31 December 2019, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB2,992,831,000 (2018: RMB3,337,594,000).

41. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2019 and 2018 are as follows:

Name of companies	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2019		Percentage of equity interests held in 2018		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Centurion Industries Limited	British Virgin Islands	US$1	100%	-	100%	–	Investment holding
Value Century Group Limited	British Virgin Islands	US$1	100%	-	100%	–	Investment holding
Geely International Limited 吉利國際貿易有限公司	Hong Kong	2 shares	100%	-	100%	–	Investment holding and export of vehicles outside the PRC
Zhejiang Fulin Guorun Automobile Parts & Components Co., Ltd#* 浙江福林國潤汽車零部件有限公司	PRC	US$30,859,200 (2018: US$15,959,200)	-	100%	–	100%	Research, production, marketing and sales of automobile parts and related components in the PRC
Zhejiang Kingkong Automobile Parts & Components R&D Company Limited*# (note) 浙江金剛汽車零部件研究開發有限公司	PRC	US$14,900,000	-	-	–	100%	Research and development of automobile parts and components in the PRC
Zhejiang Geely Automobile Sales Company Limited# 浙江吉利汽車銷售有限公司	PRC	RMB15,000,000	-	99%	–	99%	Sales of automobile parts and components in the PRC
Zhejiang Jirun Automobile Company Limited ("Jirun Automobile")^# 浙江吉潤汽車有限公司	PRC	US$476,636,575	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanghai Maple Guorun Automobile Company Limited^# 上海華普國潤汽車有限公司	PRC	US$121,363,600	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC

41. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2019 and 2018 are as follows (Continued):

Name of companies	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2019		Percentage of equity interests held in 2018		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Zhejiang Geely Holding Group Automobile Sales Company Limited#^ 浙江吉利控股集團汽車銷售有限公司	PRC	RMB60,559,006	-	99%	–	99%	Marketing and sales of vehicles in the PRC
Geely International Corporation# 上海吉利美嘉峰國際貿易股份有限公司	PRC	RMB100,000,000	-	99%	–	99%	Export of vehicles outside the PRC
Zhejiang Geely Automobile Research Institute Limited# 浙江吉利汽車研究院有限公司	PRC	RMB30,000,000	-	99%	–	99%	Research and development of vehicles and related automobile components in the PRC
Shanghai Maple Automobile Sales Company Limited# (note) 上海華普汽車銷售有限公司	PRC	RMB60,000,000	-	-	–	99%	Marketing and sales of vehicles in the PRC
Zhejiang Ruhoo Automobile Company Limited^# 浙江陸虎汽車有限公司	PRC	RMB521,676,992	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC

41. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2019 and 2018 are as follows (Continued):

Name of companies	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2019		Percentage of equity interests held in 2018		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Shanghai Jicining Mechanical and Electrical Equipment Company Limited# 上海吉茨寧機電設備有限公司	PRC	RMB20,000,000	-	99%	–	99%	Procurement of mechanical and electrical equipment in the PRC
Hunan Geely Automobile Components Company Limited^# 湖南吉利汽車部件有限公司	PRC	US$88,500,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanghai Jichong Power Technology Company Limited# (note) 上海吉聰動力技術有限公司	PRC	RMB80,000,000	-	-	–	99%	Research and development of electric hybrid engines in the PRC
Zhejiang Vision Auto-parts Fittings Company Limited# 浙江遠景汽配有限公司	PRC	RMB50,000,000	-	99%	–	99%	Procurement of automobile parts and components in the PRC
Chengdu Gaoyuan Automobile Industries Company Limited# 成都高原汽車工業有限公司	PRC	RMB50,000,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Hunan Luoyou Engine Components Company Limited# 湖南羅佑發動機部件有限公司	PRC	RMB150,000,000	-	99%	–	99%	Production of automobile components in the PRC

41. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2019 and 2018 are as follows (Continued):

Name of companies	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2019		Percentage of equity interests held in 2018		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Jinan Geely Automobile Company Limited# (note 36) 濟南吉利汽車有限公司	PRC	RMB360,000,000	-	-	–	99%	Research, development, production, marketing and sales of vehicles and sales of related automobile components in the PRC
Jinan Geely Automobile Parts and Components Company Limited# (note 36) 濟南吉利汽車零部件有限公司	PRC	RMB10,000,000	-	-	–	99%	Research, development, production, marketing and sales of related automobile components in the PRC
Ningbo Vision Automobile Parts and Components Company Limited# 寧波遠景汽車零部件有限公司	PRC	RMB96,000,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Baoji Geely Engine Company Limited# 寶雞吉利發動機有限公司	PRC	RMB300,000,000	-	99%	–	99%	Research, development, production and sales of vehicle engines and related after-sales parts in the PRC
Ningbo Shangzhongxia Automatic Transmission Company Limited# 寧波上中下自動變速器有限公司	PRC	RMB1,000,000,000	-	99%	–	99%	Research, development, production and sales of vehicle transmissions and related after-sales parts in the PRC
Zhejiang Yili Automobile Components Company Limited# 浙江義利汽車零部件有限公司	PRC	RMB500,000,000	-	99%	–	99%	Research, development, production and sales of vehicle engines and related after-sales parts in the PRC

41. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2019 and 2018 are as follows (Continued):

Name of companies	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2019		Percentage of equity interests held in 2018		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Limited Liability Company "Borisov Engine Plant《Geely》"	Belarus	BYN1,000,000	-	51%	–	51%	Production, marketing and sales of vehicles
Limited Liability Company "Geely Motors"	Russia	RUB10,000	-	99%	–	99%	Marketing and sales of vehicles in Russia
Zhejiang Fengrui Engine Company Limited# 浙江鋒銳發動機有限公司	PRC	RMB100,000,000	-	99%	–	99%	Production of automobile engines in the PRC
Zhejiang Geely Powertrain Company Limited# 浙江吉利動力總成有限公司	PRC	RMB500,000,000	-	99%	–	99%	Production of automobile engines in the PRC
Ningbo Geely Luoyou Engine Components Company Limited# 寧波吉利羅佑發動機零部件有限公司	PRC	RMB282,800,000	-	99%	–	99%	Production of automobile components in the PRC
Taizhou Geely International Corporation# 台州吉利汽車銷售有限公司	PRC	RMB10,000,000	-	99%	–	99%	Marketing and sales of vehicles in the PRC
Zhejiang Jirun Chunxiao Automobile Components Company Limited# 浙江吉潤春曉汽車部件有限公司	PRC	RMB1,100,000,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC

41. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2019 and 2018 are as follows (Continued):

Name of companies	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2019		Percentage of equity interests held in 2018		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Shanxi New Energy Automobile Sales Company Limited# 山西新能源汽車銷售有限公司	PRC	RMB5,000,000	-	99%	–	99%	Marketing and sales of vehicles in the PRC
Baoji Geely Automobile Sales Company Limited# 寶雞吉利汽車銷售有限公司	PRC	RMB5,000,000	-	99%	–	99%	Marketing and sales of vehicles in the PRC
Baoji Geely Automobile Components Company Limited# 寶雞吉利汽車部件有限公司	PRC	RMB700,000,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Shanxi Geely Automobile Components Company Limited# 山西吉利汽車部件有限公司	PRC	RMB600,000,000	-	99%	–	99%	Research, development, production, marketing and sales of vehicles and related automobile components in the PRC
Zhejiang Geely International Limited# 浙江吉利汽車國際貿易有限公司	PRC	RMB10,000,000	-	99%	–	99%	Export of vehicles outside the PRC

41. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2019 and 2018 are as follows (Continued):

Name of companies	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2019		Percentage of equity interests held in 2018		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Geely Automobile Research Institute (Ningbo) Company Limited# 吉利汽車研究院(寧波)有限公司	PRC	RMB30,000,000	-	99%	–	99%	Research and development of vehicles and related automobile components in the PRC
Ningbo Jirun Automobile Components Company Limited# 寧波吉潤汽車部件有限公司	PRC	RMB1,200,000,000	-	99%	–	99%	Research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC
Hangzhou Geely Automobile Company Limited# 杭州吉利汽車有限公司	PRC	RMB890,000,000	-	99%	–	99%	Research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC
Guizhou Geely Automobile Components Company Limited# 貴州吉利汽車部件有限公司	PRC	RMB1,030,000,000	-	99%	-	99%	Research and development, manufacturing, promotion and sales of vehicles and related automobile components and provision of related after-sales and technical services in the PRC
Guizhou Geely Engine Company Limited# 貴州吉利發動機有限公司	PRC	RMB480,000,000	-	99%	–	99%	Preparation and construction of engine manufactory project in the PRC

41. INVESTMENTS IN SUBSIDIARIES (Continued)

Investments in subsidiaries represent unlisted shares at cost. Particulars of the principal subsidiaries at 31 December 2019 and 2018 are as follows (Continued):

Name of companies	Place of incorporation/ registration and operations	Issued and fully paid up/ registered capital	Percentage of equity interests held in 2019		Percentage of equity interests held in 2018		Principal activities
			Directly	Indirectly	Directly	Indirectly	
Taizhou Binhai Geely Engine Company Limited# 台州濱海吉利發動機有限公司	PRC	RMB770,000,000	-	99%	–	99%	Preparation and construction of engine manufactory project in the PRC
Guiyang Geely Automobile Sales Company Limited# 貴陽吉利汽車銷售有限公司	PRC	RMB5,000,000	-	99%	–	99%	Marketing and sales of vehicles in the PRC
Shanghai Geely Diran Automobile Design Company Limited# 上海吉利翟然汽車設計有限公司	PRC	RMB30,000,000	-	99%	–	99%	Provision of vehicles design services in the PRC
Hangzhou Geely Vision Purchasing Company Limited# 杭州吉利遠景採購有限公司	PRC	RMB10,000,000	-	99%	–	99%	Procurement of automobile parts and components in the PRC
Yiwu Geely Powertrain Company Limited# (note 35(a)) 義烏吉利動力總成有限公司	PRC	RMB320,000,000	-	99%	–	–	Technology research and development, technology consultancy services, manufacture and sale of vehicle engines and provision of after-sales services in the PRC

* The Company's subsidiary in the PRC is wholly foreign-owned enterprise established for a period of 30 to 50 years.

^ The Company's subsidiary in the PRC is sino-foreign equity joint venture established for a period of 30 to 50 years.

The English translation of the names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

Note: These subsidiaries have been deregistered during the year.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

41. INVESTMENTS IN SUBSIDIARIES (Continued)

The following table lists out the information related to subgroup of Jirun Automobile, the subsidiary of the Group which has material non-controlling interest. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2019 **RMB'000**	2018 RMB'000
Non-controlling interest percentage	**1%**	1%
Non-current assets	**47,396,393**	40,769,676
Current assets	**102,492,141**	61,791,206
Current liabilities	**(107,537,024)**	(63,679,664)
Non-current liabilities	**(3,902,497)**	(4,073,582)
Net assets	**38,449,013**	34,807,636
Carrying amount of non-controlling interest	**384,862**	344,650
Revenue	**123,977,893**	129,529,988
Profit for the year	**5,481,697**	9,692,974
Other comprehensive (expense)/income for the year	**(46,555)**	87,645
Total comprehensive income for the year	**5,435,142**	9,780,619
Profit allocated to non-controlling interest	**54,817**	96,930
Other comprehensive (expense)/income allocated to non-controlling interest	**(466)**	876
Dividend paid to non-controlling interest	**(15,694)**	–
Cash flows generated from operating activities	**14,020,366**	12,239,546
Cash flows used in investing activities	**(9,110,790)**	(10,885,992)
Cash flows used in financing activities	**(1,991,623)**	–
Net cash inflows	**2,917,953**	1,353,554

42. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

43. EVENT AFTER THE REPORTING DATE

The outbreak of novel coronavirus ("COVID-19") continues to spread throughout China and to countries across the world and which has brought uncertainties to the Group's operating environment in the PRC.

Given the dynamic nature of these circumstances, the Group will put the best efforts to minimise the impact on the business operation and will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

CORPORATE INFORMATION

Executive Directors:

Mr. Li Shu Fu *(Chairman)*
Mr. Yang Jian *(Vice Chairman)*
Mr. Li Dong Hui, Daniel *(Vice Chairman)*
Mr. Gui Sheng Yue *(Chief Executive Officer)*
Mr. An Cong Hui
Mr. Ang Siu Lun, Lawrence
Ms. Wei Mei

Non-executive Director:

Mr. Carl Peter Edmund Moriz Forster
(Resigned on 21 August 2019)

Independent Non-executive Directors:

Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex
Mr. An Qing Heng
Mr. Wang Yang

Audit Committee:

Mr. Lee Cheuk Yin, Dannis *(Committee's Chairman)*
Mr. Yeung Sau Hung, Alex
Mr. An Qing Heng
Mr. Wang Yang

Remuneration Committee:

Mr. Yeung Sau Hung, Alex *(Committee's Chairman)*
Ms. Wei Mei
Mr. Lee Cheuk Yin, Dannis
Mr. Wang Yang

Nomination Committee:

Mr. Wang Yang *(Committee's Chairman)*
Mr. Gui Sheng Yue
Mr. Lee Cheuk Yin, Dannis
Mr. Yeung Sau Hung, Alex

Company Secretary:

Mr. Cheung Chung Yan, David

Auditor:

Grant Thornton Hong Kong Limited

Legal Advisor on Hong Kong Law:

Sidley Austin

Legal Advisor on Cayman Islands Law:

Maples and Calder

Principal Bankers in Hong Kong (in alphabetical order):

Bank of America, N.A.
Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
Citigroup Global Markets Asia Limited
DBS Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
ING Bank N.A., Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Principal Bankers in the People's Republic of China (in alphabetical order):

Bank of China Limited
China Everbright Bank Company Limited
Industrial Bank Company Limited

Head Office and Principal Place of Business:

Room 2301, 23rd Floor, Great Eagle Centre,
23 Harbour Road, Wan Chai,
Hong Kong
Telephone: (852) 2598 3333
Facsimile: (852) 2598 3399
Email: general@geelyauto.com.hk

Registered Office:

P.O. Box 309, Ugland House,
Grand Cayman, KY1-1104,
Cayman Islands

Hong Kong Share Registrars & Transfer Office:

Union Registrars Limited
Suites 3301-04, 33/F.,
Two Chinachem Exchange Square,
338 King's Road, North Point
Hong Kong

Investor & Media Relations:

Prime International Consultants Limited

Listing Information:

The Stock Exchange of Hong Kong Limited
Stock Code: 0175

Company's Website:

http://www.geelyauto.com.hk

吉利汽車控股有限公司
GEELY AUTOMOBILE HOLDINGS LIMITED

Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道 23 號鷹君中心 23 樓 2301 室

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